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# INFLATION CONTROL PROGRAM OF OPA

## HEARINGS

U.S. Congress, Senate, BEFORE THE  
COMMITTEE ON BANKING AND CURRENCY,  
UNITED STATES SENATE  
SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

CONTROLLING INFLATION

OCTOBER 23 AND 25, 1945

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## INFLATION CONTROL PROGRAM OF OPA

TUESDAY, OCTOBER 23, 1945

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,

Washington, D. C.

The committee met at 10:30 a. m., pursuant to call, in room 301 Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Barkley, Radcliffe, Murdock, Taylor, Tobey, Taft, Butler, Capper, Buck, and Hickenlooper.

The CHAIRMAN. The committee will come to order.

Mr. Bowles, some months ago when we had the OPA extension resolution before us, you were one of the witnesses; and you suggested that in order to keep the Senate informed on what the progress of OPA is, and what changes you may propose for the future, it would be perfectly agreeable to you if within a month or two thereafter you could come before the committee and give us a sort of stewardship of what you had done, and it is at your request that you are appearing before this committee now, and we are ready to hear your report.

### STATEMENT OF CHESTER BOWLES, ADMINISTRATOR, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.

Mr. BOWLES. Mr. Chairman, I suggest that I have a report here that may answer a great many questions, although it may leave some unanswered, and with your permission I should like to read it through. It is rather lengthy, but it will cover the whole subject. After it has been read any of the members of the committee can ask us questions on subjects that we have not covered. We will be at your service from then on, to be here as much as you would like to have us, to cover any point I have not covered.

The CHAIRMAN. In other words, you prefer that you make your statement complete first, before answering questions?

Mr. BOWLES. I would prefer that, because I think I may cover some of the points that may come up, as I go along.

The CHAIRMAN. Is there any objection to that procedure?

Senator HICKENLOOPER. Mr. Chairman, just to keep the record straight.

The CHAIRMAN. Yes.

Senator HICKENLOOPER. And since it is your suggestion that this is Mr. Bowles' request, I am sure that it is my recollection of this matter some time ago that most of the committee members were extremely anxious—

The CHAIRMAN. Yes.

Senator HICKENLOOPER. To have Mr. Bowles or the OPA appear from time to time, and Mr. Bowles said that it was his desire to do that, and many of the committee members have been very anxious since that time to have repeated meetings, but this is the first time, after a long delay, that the OPA has come before the committee.

The CHAIRMAN. Well, that is probably the fault of the chairman.

Senator HICKENLOOPER. I wanted that on the record, Mr. Chairman.

Mr. BOWLES. I would like to make it clear that I wrote in August and suggested that I appear.

The CHAIRMAN. Yes; he did. We have been a very busy committee; we have not had a chance heretofore.

Mr. BOWLES. Shall I go ahead?

Senator HICKENLOOPER. I merely wanted to make the other side of the picture clear.

The CHAIRMAN. Correct.

Senator HICKENLOOPER. I wanted to make it clear in the record.

The CHAIRMAN. Very well.

Senator BUCK. Is it proper to ask one question before we start?

The CHAIRMAN. Yes.

Senator BUCK. It is the only one I would like to have answered, and that is: How long do you think you will be needed?

Mr. BOWLES. I cover that in here, in my statement.

Senator BUCK. Well, I thought you might.

Mr. BOWLES. I think some functions, Senator, are going to be needed for some time after June 30, but I think a great many of the functions can be over by then.

Senator BUCK. I was afraid you were going to say that.

Mr. BOWLES. Well, it is obviously up to Congress to decide, not me. I can only tell you what our problem is as we see it.

The CHAIRMAN. Very well.

Mr. BOWLES. Mr. Chairman, the members of the Senate Banking and Currency Committee are in a large measure responsible for the development of the original price-control bill. With the members of the House Banking and Currency Committee, you and your colleagues have been the focal point of all legislation to safeguard the Nation against inflation.

Although some of the members of the committee have not been in agreement with us at all times, I have always found here a sympathetic understanding of the nature of our task and the policies and procedures which we have adopted to carry it out.

Some months ago I suggested a regular report to the members of this committee on the status of our program on inflation control.

I am pleased that the committee has agreed to my request for this discussion. I welcome this opportunity to outline for you the status of our work, the policies which we are following, and the problems that we face, together with our best estimate of conditions in the months that lie ahead.

So far the Nation has established an enviable record of inflation control. Today some people, weary of wartime regulations, feel the easy thing to do would be to relax and to take a chance. But the facts show clearly that we still face a dangerous and difficult inflationary period in which the firm foundation we have laid for a prosperous future could be quickly washed from under us.



Recognizing that danger, on August 18, 1945, President Truman issued an Executive order clearly setting forth the stabilization program for the transition period from war to peace. This Executive order stated that the cost of living and the general level of prices should be held at the then existing levels, and that pricing of reconversion products must be on a basis of full volume rather than on volume that will be limited during the change-over from war goods to peacetime production.

In his message to Congress a month later President Truman reviewed problems and dangers we face in the stabilization program. He reminded us that almost half of the World War I inflation came after the armistice. After a misleading lull of a few months after the 1918 armistice prices began shooting upward even more rapidly than during the war.

The reasons for this are now pretty clear. Inventories had to be rebuilt. There was a big foreign demand for American goods. Most people here at home wanted to buy more goods than were available. Workers were earning better wages. But there was a lag of many months before the goods these very people were making could get on the shelves for others to buy.

Soon industries began to bid against each other for limited supplies of raw material. Not all orders could be filled on schedule. The fear of scarcities and delayed deliveries caused many firms to send in a rush of advance orders. In frantic efforts to build larger inventories many firms placed orders with several suppliers for twice or three times the amounts they really needed. This created a wave of speculative buying and artificial scarcities.

By mid-1920 all of these pressures had forced prices so high that buying slowed down. Many of us had sad personal experiences in the crash that followed. Markets collapsed. Unemployment increased by five and one-half million workers. One hundred and six thousand firms went bankrupt. Four hundred and fifty-three thousand farmers lost their farms. Merchants, farmers, and industries suffered heavy inventory losses of \$16,000,000,000.

I do not pretend to know exactly what will happen in the months ahead. But I am sure that no thoughtful person wants to risk a repetition of the 1920-1921 bust. Thousands of letters from businessmen, farmers, workers, and consumers assure me of that.

There have been some businessmen who have challenged the premise that the inflationary dangers today are similar to those which overwhelmed us following World War I. They base their belief on the greatly increased ability of our modern industrial machine to produce in huge quantities. They also point to an improved situation as far as raw materials are concerned.

There is no question that in both these respects conditions are more favorable than they were after the First World War.

But these favorable factors, I believe, are more than offset by influences on the other side of the ledger. Inflationary forces have been estimated by the Federal Reserve Board at from 8 to 10 times greater than those which caused disaster 25 years ago. Liquid assets have been estimated at close to \$300,000,000,000.

The men and women of this country now have \$145,000,000,000 in savings. Those savings alone are equal to more than twice as much

money as American consumers spent in 1939. If people attempted to spend even a small portion of these savings, in addition to their pay checks, before production and supply have greatly expanded, it would greatly increase the pressures on prices.

Since August 1939, the balances in checking accounts have increased from \$27,000,000,000 to \$72,000,000,000. This ready cash alone equals more than the entire amount spent by consumers in 1939. People are in the habit of spending what is in their checking accounts for things they want. Much of this \$72,000,000,000 will be bidding for the first new supplies of things that have been scarce during the war.

The tremendous inflation of World War I was caused by a total military expenditure of only \$32,000,000,000 for the entire war. The scheduled military expenditures for the first 12 months after VJ-day are estimated at \$41,000,000,000. That means that between August 1945 and August 1946, after all hostilities have ceased, military expenditures will be \$9,000,000,000 more than the \$33,000,000,000 that caused so much trouble during the entire inflationary period of World War I.

Senator TOBEY. That is a remarkable statement, but what is it for, just in a nutshell? What are they going to expend that amount of money for in the postwar era? Just give us a little picture of it.

Mr. BOWLES. Well, you have got this tremendous amount of funds built up that can go anywhere. It can go into the stock market, real estate—

Senator TOBEY. No, no. I mean that the military are going to spend.

Mr. BOWLES. I don't know, Senator Tobey. It is just getting out of the whole program, I guess.

Senator TOBEY. They gave you those figures?

Mr. BOWLES. The figures came from them. It is a staggering idea, that you are spending more in the year following—

Senator TOBEY. Well, that has not been approved by Congress.

Mr. BOWLES. Well, I guess it has the estimates. I don't know. The estimates for that have been put into the budget.

Today talk of inflation fills the air. The stock market has been booming merrily upward. As in 1929, taxi drivers and barbers are passing out tips on their favorite speculations. A newspaper of national circulation urges its readers editorially to put its savings into stocks, real estate, and tangible assets.

Under conditions like this, can we risk a broad increase in prices? If so, what will the effect be on those who have savings, insurance policies, and war bonds? How much would it take to start a real fight from the dollar?

In my opinion, very little. There's more hot money around than most of us ever dreamed there would be.

Certainly it is difficult to understand the viewpoint of those who tell us that the danger of inflation ended with the shooting, and that now is the time to strip off all controls.

If the prices of a number of basic commodities should move upward, under present circumstances, it is my belief that a serious inflationary spiral would be set in motion. Once we allow the cost of living to rise, wage demands would quite properly be multiplied in extent and amount. Farm groups would naturally act to resist the squeeze be-

tween higher costs for the products which they buy and stable prices for the products which they sell. Manufacturers, wholesalers, and retailers would move to increase their inventories. Our entire price level would soon get out of hand at a rapidly increasing tempo.

Too few people understand this vital problem of balance between the three great groups which go to make up our economy. By shutting their eyes to this problem some observers calmly disregard the dangers in a 10-percent or even 15-percent increase in our general price level. Those of us who have carried the responsibility for fighting inflation know that once prices in general start to move the administration of a price- and rent-control program would become rapidly impossible.

It is my personal belief that the danger of inflation is more critical today than at any time in the last 4 years. Only with the greatest determination and broad unity of purpose can we come through safely.

Provided there is no continuing fear that inflation will break loose, this danger will be eliminated when our supply of goods is again sufficient to meet the demand. In some areas, however, this balance will not be achieved for a year and one-half, or even longer.

Personally, I have great confidence that if we as a Nation speedily take the right steps we can fight off the tremendous inflationary pressures that lie ahead. We in the OPA are ready and eager to do our job. Our job is clearly cut out for us.

First, we must continue to hold the cost of living as nearly as possible at its present level. Secondly, we must make whatever price adjustments are necessary to clear the way for an expanded volume of production.

Quite often I discover that some businessmen feel these two objectives are contradictory. This is not the case.

Holding the general level of prices does not require rigid pricing on each item. Some may go up while others go down. I will go into that later.

The inflationary problem on housing: Substantial inflation in any major part of our economy will quickly spread to other parts with disastrous results. For this reason we have been particularly alarmed at the dangerous situation which has developed in the field of housing and building materials.

In the inflation period of the First World War the retail price of building materials increased 238 percent. Three-fifths of this increase came in the 18 months following Armistice Day. Similarly, 90 percent of the rent increases in the First World War period come after the cessation of hostilities.

As a result of the tremendous increases in building material prices following World War I the substantial amount of construction which was initially started, slowed down. In June 1920 the price of building materials collapsed, with widespread bankruptcies among home developers, contractors, and building material supply houses. Hundreds of thousands of construction workers lost their jobs, and through foreclosures many owners lost the homes they had purchased or built at inflated values.

So far, during the period of World War II building materials have been held to a 30-percent increase with only 6 percent of that increase coming since the hold-the-line order of May 1943.



Today it is estimated that at least 3,000,000 American families are expecting to build new homes during the next 2 to 3 years. Hundreds of thousands of them have actually completed their plans and are ready to move ahead.

The supply of lumber, mill work, soil pipe, brick, building hardware, and other items, however, remains extremely tight. Inventories are at an all-time low, and it is generally agreed that it will be a great many months before the supply can be brought into even reasonable balance with demand.

On October 15 the regulation channeling the scarce building materials was withdrawn at the recommendation of the War Production Board. I am fearful that unless some prompt and vigorous action along other lines is taken, we will soon be facing a wild scramble for scarce building materials accompanied by rapidly increasing prices for both new homes and old.

If this situation develops, it will soon make our building-material price controls ineffective. It will widely increase building speculation. It will discourage many home owners in cities and on farms from going ahead with their building plans. It will place a particularly heavy burden on the 1,500,000 members of the armed services who have been married during the war period and who are looking forward to a home of their own. It is estimated that next year there will be a million and a half families in this country forced to double up, most of them veterans who have come back. They will have no place to go, and they will be forced to live with some other family.

At present the OPA has price control on all building materials. These prices are now being adapted into simple understandable "dollars and cents" form on an area basis throughout the United States. We also have control over the margin that the contractor can charge for his services.

However, under the present act there is no power to control the price that can be charged by a developer for the completed home. Nor is there any power to control the price of old homes. As a result, the average increase in real-estate prices throughout the country is already more than 50 percent. In many areas the increase has been more than 100 percent.

This same inflationary loophole inevitably results in a diversion of building materials into the hands of speculative builders who are banking on quick, exorbitant profits. If speculators are permitted to gobble up the small supplies which are available, individual families who want to build homes or remodel or enlarge their present ones, will find there are no materials left for them.

The problem, of course, is not limited to residential building. I would like to again call to the attention of this committee the dangerous increase in the rentals being charged for stores, office space, and warehouse facilities.

A year ago when I discussed this situation with this committee the problem in many areas was acute. Unfortunately I can report no improvement. Complaints from business tenants, including many veterans, are increasing at a rapid tempo. As you know, OPA has no legal power to cope with this problem.

Actions following VJ-day: We announced immediately after VJ-day that the cost-of-living line would be firmly held. This was in



line with the President's Executive order. It was a reassurance to the tens of millions of people throughout the country who are faced with reduced incomes while general inflationary pressures remain strong.

In order to help correct a widespread and dangerous evasion of our rental regulations, the period of notice which a landlord must give a tenant before eviction for the purposes of making a sale was extended in most parts of the country from 3 to 6 months. We took this action to cut down an alarming increase in the rate of evictions, now running about 93,000 per month. The rate of evictions due alone to the sale of houses reached a high of 19,459 in August.

In this and in other ways, pressures that would start rents soaring are every bit as great today as they were before VJ-day. In many spots these pressures are even greater, particularly as millions of veterans get home. Despite this trend, it is our belief that rents can be maintained at approximately their present levels, with good luck.

In the coming 4 or 5 months we may be able to drop rent controls in a number of small areas near army camps which are being discontinued. However, the population in those areas totals less than 5 percent of the 44,000,000 tenants protected by rent controls.

The program to check the increase in clothing prices, announced in January 1945, has been only partially successful in meeting its objectives. This program was supplemented in September by a regulation establishing specific dollar-and-cents retail prices on about 50 percent of all apparel items.

As a result of this program and of the new program covering rayon and woolen garments, we look for some decrease in the present high cost of clothing in the months immediately ahead.

Our studies of the supply-and-demand situation, carried out in cooperation with our various industry advisory committees, indicate that there will be some sag in the prices of many foods during the coming months.

As rapidly as supply and demand come into balance in one part of the food field after another, controls will be suspended. However, we will maintain a cautious watch over the price trends in this field and reestablish any suspended ceilings whenever inflationary price movements develop.

A committee, set up by the Office of Price Administration, the Department of Agriculture, and the Reconstruction Finance Corporation, has completed a study of the question of subsidy removal. It has been agreed that subsidies will be eliminated as rapidly as any decreases in the cost of living develop. We were able, for example, to lift the butter subsidy even though the retail price of butter was certain to rise. Several other food items have been showing a downward price trend which compensated for the butter price increase. The general level of food prices thus could be maintained.

An announcement will be made in the near future on the subject of further subsidy removals which I believe will be reassuring both to our farmers seeking stable incomes and to our consumers who are fearful of higher living costs.

It is my hope that decreases in the cost of some food and clothing items will offset such increases in the prices of other products as may be necessary to increase peacetime production.

**Providing for flexibility in pricing:** In order to hold the general level of prices in a way that is fair and equitable to both consumers and industry, OPA's pricing policies have had to be increasingly flexible.

The administration of price control and rent control in the pre-VJ-day period was based on certain standards which were evolved from the legislation under which we operate. In general our basic standard allowed for industrywide price adjustments wherever an industry's earnings fell below peacetime levels. Other standards called for increases to secure necessary wartime production.

In addition, for industries which produced more than one product, our "product standard" has always provided for whatever price adjustment may be necessary to cover the out-of-pocket costs for the industry generally on an individual product. (According to Bureau of Internal Revenue estimates, 25 percent of all sales in 1939 were at a loss, and more than half of all firms were in the red.)

These standards were developed over a period of many months. They were tested in the courts and repeatedly reviewed by Congress. They enabled us to hold the line while making needed adjustments in prices of particular products and services to alleviate hardship cases and to help overcome local shortages of manpower, material, and so on. Over 30,000 individual company price adjustments have been made in the last 12 months; four-fifths of them in our regional and district offices. We have made 120,000 adjustments in the last 8 or 9 months, all told, in price.

In the spring of 1945, shortly after VE-day, we added a special pricing formula for reconversion products which supplemented our other standards. This reconversion formula took into account the legal increases in materials prices and basic wage-rate schedules of factory employees which had occurred in the interval since 1941 on such items as automobiles, washing machines, vacuum cleaners, and other products which had disappeared from the market during the war.

However, previous to VJ-day, the scale of reconversion was extremely limited, and only relatively few firms requested price adjustments. When Japan surrendered, the Nation's whole energies were suddenly directed toward the fastest possible return to full-scale peacetime production. As a result, virtually our whole pricing policy had to be overhauled to fit in with the new national objective.

This objective required five specific steps on the part of OPA:

1. We have worked out a quick and simple method for setting prices for small new firms expecting gross annual sales of less than \$200,000. These firms simply estimate their costs of production and add the industry-wide peacetime profit margin to get starting prices. After 90 days they adjust their prices in accordance with their actual operating costs. In this way we are assuring any new small firm of a price that will enable it to move ahead rapidly. They won't even have to come near OPA; they just move ahead.

2. One of our individual adjustment orders provides a practically automatic pricing method for all reconverting firms expecting gross annual sales of less than \$200,000. These firms simply send our field offices their own calculations of necessary adjustments based on increases in their own materials prices and straight-time wage rates.

Unless these firms hear from OPA to the contrary in 20 days, they proceed with the prices they have filed.

This regulation in itself covers some two-thirds of all reconverting manufacturers. It is most effective in helping small reconverting firms to go ahead rapidly with a minimum of red tape. It also reduces the administrative workload of our OPA district offices.

3. Another individual adjustment order provides equally rapid price relief for larger converting firms which can show that application of the industry-wide increase factor still leaves them in a hardship position.

4. We have issued what we call a general rescue order which, with certain exceptions, applies to all nonreconverting firms that are in hardship, and provides prices which will cover all costs of production and distribution. This gives these firms prices higher than the prices for their respective industries as a whole.

5. We have delegated to our field offices authority to make more than 90 percent of all individual price adjustments. Most of these adjustments are being made in less than 20 days.

The purpose of these five basic adjustments in our pricing policies is simply to make certain that all companies are given an opportunity to get into production at prices that will cover their costs and yield them a normal profit.

Three problems: So far we have run into three problems in this difficult field of pricing reconversion goods.

The first of these is the delay in securing cost figures from certain industries.

The second is some delay in our own organization, due partly to the lack of manpower and partly to procedures which were too cumbersome to fit present needs. This, I believe, has been corrected by administrative action which has involved some reorganization in the Price Department and the adoption of more streamlined procedures.

The third, which is not a source of much difficulty, is a certain amount of unevenness in prices on new items as set by our field offices. We have run across several instances where prices have turned out to be ridiculously high.

This has caused some justified ill-feeling on the part of other manufacturers who have been making a similar item at a substantially lower price. To meet this situation we are changing our procedures, and abandoning wherever possible the in-line pricing technique.

In general, I believe the reconversion pricing program has proceeded expeditiously. We have inevitably been faced with some complaints from manufacturers who felt that they were entitled to a higher price than the one they received. Members of Congress have heard many of the same stories.

Our inflexible policy is that the facts of each of these complaints must be thoroughly examined by men in our agencies who are familiar with the problems of the industry. In a vast majority of cases it turns out that these complaints are based on a misunderstanding of our pricing policies or a misunderstanding of the adjustments to which these firms are entitled under the law.

As a matter of fact, complaints have tended to die down as manufacturers have gained a wider knowledge of our program. We have



reassured them further, I believe, by our statement that we will be glad to review any prices as soon as a high level of production has been achieved and actual costs have been developed on the basis of present experience.

We have been determined to maintain a flexible, practical approach to this whole problem of reconversion pricing, and I believe production figures bear out the fact that we have been successful in this.

In September the War Production Board compiled its second report on Progress of Reconversion in 1,222 firms in 59 industries. This report shows that by December 1945 these firms expect their sales to be 53 percent above prewar levels. By June 1946, they expect sales to be 138 percent above prewar levels. While these figures do not represent a complete picture of what is ahead, they do indicate that a big cross section of the economy is moving rapidly forward.

Recent surveys made by the local committees of the Committee on Economic Development indicate that in most localities reconversion is ahead of schedule.

The only major reconversion industries which will not have their final prices by November 1 are automobiles, vacuum cleaners, and the small electrical appliance group. In these instances there has been a marked delay by industry in supplying the OPA with cost data.

**Senator TOBEY.** When do you expect to promulgate the automobile prices?

**Mr. BOWLES.** We have got in, Senator, only cost figures from three companies. Two of those were excellently done, and they have come in in the last 2 weeks. One came in yesterday. The third is very scrambled. We cannot make very much out of it. We have got to go back to get more. Only those three have come forward. We have sent our men to Detroit. We have tried to get all the information we can. We are trying to hurry them up. They don't seem to be in any rush.

Absorption helps hold the line. In establishing the retail price for reconversion products, we have followed our normal policy of requiring distributors to absorb, within reasonable specified limits, increases in factory prices. We have a parallel requirement of reasonable absorption of cost increases by manufacturers. Through the use of this principle we have been able so far, with a few minor exceptions, to bring all reconversion items back on the market at or near 1942 retail prices, despite some necessary increases in factory prices.

In applying this policy, however, the OPA has established a floor below which no absorption will be required. This floor safeguards an equitable profit for distributive trades in accordance with the fair and equitable standard laid down by Congress in the price stabilization laws.

Our present policies covering cost absorption by the distributive trades are as follows:

1. On types of goods similar to those that have been in retail stocks during the war, OPA applies the cost-absorption standards announced earlier in the year for nonreconversion goods. Under these standards, a trade with satisfactory over-all earnings is asked to absorb increases on a single product only to a point that will not bring its margin on that item below its cost of handling the product.



This standard applies to the types of goods sold chiefly by department stores and others dealing in many different lines. In the most cases, the manufacturer's increase is so small that even after full absorption, wholesalers' and retailers' margins still far exceed their expense rates. If, however, the absorption of suppliers' increases on any item would reduce margins below the expense rate, the resale price is increased.

Of course, in accord with the industry earnings standard, no absorption is required of any trade whose over-all earnings before taxes are below their peacetime earnings. Furthermore, the absorption requirement has affected but a minor part of the trade's over-all business position. One look at retail and wholesale sales and profits records shows this conclusively.

2. On types of reconversion goods that normally might account for a major part of a dealer's sales, such as washing machines and refrigerators, OPA applies a new absorption standard. This standard—worked out to meet the special needs of distributors specializing in reconversion products—would require absorption only to a point that would not bring the trade's unit margin below its prewar realized margin. That is the amount they actually made on the item before the war.

Our program of decontrol: Speedy military cut-backs following VJ-day enabled us within 24 hours to free from rationing a substantial number of consumer items in which supply would immediately approximate demand. Processed foods, gasoline, and fuel-oil rationing were eliminated. Since then about a third of the Nation's meats have been reduced to zero point value.

Present production of tires and shoes brings the end of these rationing programs in sight. But a few basic food items, such as prime meats, fats, oils, and sugar are still too scarce for me to speculate as to when they can go unrationed.

We have begun to decontrol prices. In a number of cases of some major commodities we have suspended ceilings because supply and demand have come into balance. Notable among these are aluminum, magnesium, die castings, stainless steel, and aircraft.

We have also exempted many hundreds of items which are not significant in the cost of living or in business costs, and where there is no danger of diversion of materials or manpower from production that is essential to the transition to the peacetime economy.

Senator BUTLER. Have you any examples there?

Mr. BOWLES. Jewelry, some furs, luxury items of that kind, a lot of gadgets, we have had under price control during the war to keep manpower from being diverted into nonessential fields. I think probably there are a couple of thousand of them.

Senator TOXEY. Is the ceiling still on rayon cloth in New England?

Mr. BOWLES. Yes. We have a clothing shortage, Senator.

On October 1, for the purpose of estimating our budget needs without which we could not operate, I gave the Congress our best tentative judgment on the periods for which various price controls will be required. Unfortunately some press stories gave the impression that these tentative judgements were firm predictions, which they could not possibly be. There are too many uncertainties about the future course of events for anyone to be able to predict with assur-

ance the exact times at which supply and demand for the various commodities will balance.

It is still our present hope that price control can be safely suspended or eliminated on most food items between now and June of next year. But industrial developments in the past month leave me pessimistic over some of the other hopes we then held.

The most we can say now is that we are continuously studying the supply-demand situation in the various commodities and revising our estimates. Our policy will always be to remove price controls one by one as soon as it is safe to do so without endangering stabilization.

It is my belief that it will be demonstrated within the next 6 to 8 months either that we have the forces making for postwar inflation under effective control or that they have licked us. But let me make it emphatically clear that the need for price control and rent control will not be ended by next June.

To drop all controls next June would mean:

1. An explosive rise in the price of building materials which would endanger all our hopes of a quick rise in home building at costs within the reach of the returning veterans—at least a million and a half of whom will be seeking new homes next year.

2. Grave danger of soaring prices for a limited number of other key industrial materials which even then cannot be produced rapidly enough to keep up with the demand.

3. Serious inflationary rises in the prices of many consumer durable goods—the goods for which our housewives have waited so long. Some of them I think will be all right, and then others won't. The supply of these goods will still be far from being in balance with demand. Radios, for instance, might be all right. Automobiles certainly, in my opinion, won't. Radio might not also, but I think in radio there is so much production there that they will be able to take over.

4. Rises in the prices of other cost-of-living items which could not be decontrolled earlier, with the very real possibility that the contagion might spread to the items previously decontrolled. Indeed, our decontrol policy is built on the assumption that needed controls will be retained.

5. Sweeping increases in rents in most areas. This would be a development all the more serious in view of the fact that shelter constitutes nearly one-quarter of the average family budget.

I think you can visualize what might happen to rents in Detroit, Cleveland, Washington, Chicago, and so forth.

6. These increases in the cost of living and business costs would mean another round of price and cost increases.

The boom-and-bust spiral would be on.

We do not have to risk these dangers next June. If we are fully determined to avoid the inflation which has already caused such distress in many foreign countries, it is absolutely essential that the price-control legislation be extended beyond June 30 of next year.

Problems of organization: The end of most rationing, plus decontrol over prices of various items, has called for considerable reshuffling of our organization and the reduction of personnel.

After VJ-day we promptly reorganized our local board organization to fit changed conditions. A plan was announced by which the number of local boards would be cut from 5,600 to some 2,000 by January 1.

Some 20 district offices have been closed. Our pay rolls as of October 1 were reduced by 16,000 people.

Although the price panels on our local boards still have a big assignment ahead, the great majority of our local ration-panel volunteers and paid clerks will have ended their OPA service by the end of the year. I have been tremendously heartened since VJ-day by the widespread appreciation of the extraordinary work which these men and women accomplished.

Scores of editorials have appeared throughout the country lauding their wartime efforts. At the suggestion of Senator Mead of New York a resolution expressing the country's appreciation was recently introduced in the Senate.

Several other nations have established an outstanding record of inflation control and the fair distribution of scarce commodities, England, Canada, and Australia notably. But only in the United States has this work been administered to a major extent by volunteers, working in their own communities.

Many members of our paid staff have been under heavy pressure to return to their prewar occupations.

Two-thirds of all our OPA employees earning \$3,000 annually, or over, are receiving less money from the Government than they received in private employment before the war. After long service in the thankless task of price and rent control, working under difficult conditions and in the face of relentless and often irresponsible pressures, the temptation to return to prewar jobs is not easy to resist.

And yet resignations among our top personnel have been relatively few, for the simple reason that they clearly understand the dangers which we face and are determined not to drop out of this fight against inflation until it is clearly won.

Jim Brownlee, whom many of you know, was forced to leave because of an illness. His doctor ordered him to take 3 months' complete rest.

Senator TOBEY. Why didn't you give him a vacation on pay?

Mr. BOWLES. He took a month's rest in August in hopes that would fix it, but the doctor insisted he had to drop out. Jim was good enough to say if we needed him he would be back if the doctor would let him come back.

I believe that I can assure you that the staff of the OPA will stick resolutely to its task as long as its services are needed, and regardless of immediate self-interest. We shall continue to bend every effort to handle our administrative load efficiently and effectively. We will do everything in our power to eliminate hardship and irritation.

Obviously, I cannot promise you painless and trouble-free control over rents, prices, and rationed commodities. In an operation of this size there will always be some inequities, some instances of needless delay or bureaucratic stupidity.

We are determined, however, that such instances will be kept to an absolute minimum, and that corrections will be made promptly whenever they are called to our attention. It is essential that we do this not only in the interest of common fairness, but so that the great majority of businessmen, on whom final success of our program largely depends, will not be blinded by relative details to the vital importance of the over-all task for which we are responsible.



V-J day came 72 months after the war began in Europe in September 1939. During those 72 months, the cost of living in the United States rose only 31 percent above its August 1939 level. However, nine-tenths of this increase came before the hold-the-line order in May 1943, and only 3 percent thereafter.

During the full 72 months of the war, the general level of wholesale prices has risen 40.9 percent. Only 1.5 percent of that gain came in the last 21½ years.

This record is in sharp contrast to that of the First World War when inflationary pressures have been estimated at no more than 10 to 15 percent of those with which we have been forced to contend in the last few years. At the end of the 72-month period in World War I, the cost of living had risen 108 percent. Wholesale prices had risen 146 percent.

The record of economic stabilization in World War II ought to be considered in relation to our amazing wartime production record.

In World War I with extremely loose control over prices, industrial production increased only 25 percent. Farm production went up only 5 percent.

In World War II industrial production, under our present price controls, increased 133 percent. Farm production, under price control, increased 28 percent. In each case, this is roughly five times the increase of World War I. I think those figures are extremely interesting and very apropos.

It seems clear that our program of price control has in no sense interfered with production. Indeed, there are many business managers who maintain that the relatively stable prices and the more nearly predictable costs during World War II have contributed in large measure to our ability to plan ahead and to increase production to record levels.

Senator HICKENLOOPER. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes; surely.

Senator HICKENLOOPER. Do I understand by this statement, Mr. Bowles, that you are attributing the increased production in this war period to the price-control policy?

Mr. BOWLES. Very clearly I am not, Senator. The statement says there are certain business managers who made that statement. I am not taking any responsibility for the statement. There seems to be nothing in the evidence to show that production has been held up by our price-control policy, Senator Hickenlooper.

Senator HICKENLOOPER. Well, I think there are very many factors in increased production.

Mr. BOWLES. Certainly there are. All I am saying is that the business managers say it has contributed. Whether it has contributed or not, I don't know. That is not my statement.

Senator HICKENLOOPER. All right. Thank you.

Mr. BOWLES. Prices of raw material which, in most plants, make up a substantial part of operating costs, have been held much better during the last 4 years than they were during World War I period. The tighter control over living costs this time has reduced labor turnover. Stability of the labor force is lost when workers must continually be searching for higher-paid jobs in other plants.

I might add there were five and one-half million men out on strike in the year 1919, with living costs booming upward, and every worker



trying his utmost to keep up with it. The cost of living, rent, and everything else skyrocketed, and they were trying to keep up.

Congress deserves great credit for this record. During the past 5 years Congress has been subject to the most intense pressure to modify the Price Control Act or otherwise restrict our ability to fight the forces of inflation. Congress has reviewed the price-control legislation on five different occasions during the last 3½ years. I know of no other legislation that has had that intensive review.

Congress has steadfastly resisted efforts to weaken the procedures under which we have been doing a tough but important job.

Similarly, I believe that our farmers, our workers, and our businessmen deserve the utmost credit for their vision and their patience in helping solve the tremendous problems we have faced. With relatively few exceptions, these groups have been thoroughly awake to the dangers that threaten us and have backed our efforts wholeheartedly. That understanding is greater today than at any time during the war, judged from editorial comment, public-opinion polls, and from the flood of mail which reaches our offices.

You will recall that Congress suggested we set up a system of seeking advice from business through a group of representative committees. We have six-hundred-odd committees, official committees, representing every trade group in the United States. Recently I asked 7,300 members of these groups to tell us how long they thought pressures would be strong enough to make price control necessary. These members represent business, large and small, from all parts of the country. They have had a unique opportunity to study the relationship between price control and American business.

Replies to my query are still coming in. But the first 1,480 men who answered, and whose replies have been analyzed, gave a general idea of how these well-informed businessmen feel. Out of this first group of letters only 12 percent said that price control could be safely eliminated in the next 3 months. Some 68 percent set the date later than January 1. Twenty percent said they couldn't make an estimate.

When all totals are in, it is my intention to provide your committee with a detailed break-down of the advice we have received from these industry advisory committees.

Price control and the people: We in the OPA organization, because of the very nature of our work, have always been close to the public. We are in daily touch with farmers, businessmen, workers, and consumers in all sections of the country.

Since VJ-day the country has had a bad case of the jitters. Businessmen have been worried about the reconversion problems of material supply, wages, and volume upon which future profits depend. Labor has been concerned with unemployment and the sharp reduction in take-home pay. Our farmers have been fearful of sagging farm prices and reduced demand. Returning veterans are concerned about new jobs and finding a decent place to live.

Most of the headlines today reflect the stake that labor, management, and veterans have in a sound prosperity, during the years ahead. Unfortunately, at times like these a great many people forget that our great farm population has much at stake, too.

During periods of inflation the prices of machinery, personal goods, and other things farmers buy, always rise faster than prices of the things they sell. Then, when the crash comes, farm prices toboggan

faster than other prices. The farmer gets the squeeze on the way up and again on the way down. The farmer knows that he cannot hope to prosper unless prices are steady, sales are up, and everybody is in a good-paying job.

These understandable hopes and fears about the long-range future have been reflected in our conversations with farmers, workers, businessmen, and veterans, and in the vast amount of mail which flows each week into our offices.

But dominating in all these communications has been the concern over the possibility of increased living costs and the danger of an inflationary blow-up during the coming months. The letters which reach my desk have been overwhelmingly in support of stable prices and rents and vigorous inflation control.

While the vast majority of all groups, including our businessmen, are squarely behind our efforts to hold a stable level of prices and to defeat the forces of inflation, the attacks of the pressure groups continue.

This is an old story with us. If we have been unwilling or unable to resist their irresponsible efforts, price control would have collapsed many months ago.

There are 1,500 registered lobbies in Washington, and a heavy proportion of them, I imagine, at one time or another, has aimed all its guns at the OPA, at least it seems that way. Certainly this is no news to the Members of the Senate and the House of Representatives who have been forced to bear the brunt of their efforts.

But my 2½ years of conflict with some of the country's outstanding lobbyists has not been discouraging. On the contrary, I have arrived at two rather happy conclusions from the standpoint of a healthy democracy.

First. Rarely do these professional lobbyists fully represent their industry or trade. Often they build OPA bonfires over the radio and in the press simply to establish their own reputation as accomplished firemen with the industries whom they represent. The thoughtful men in the industries which employ them are often well aware of this.

Second. The most powerful group of all is still the collective opinion of all of our people. And our people have a habit of arriving at sane conclusions.

Although they have been irritated by rationing regulations, and although they inherently dislike any kind of regimentation, the people from the start have known that rationing, price and rent control, are necessary for their protection in a period of wartime shortages. Those who lobby for special prices and higher rents have never been able to break down the backing and support which the OPA, in spite of its errors and omissions, has had from the workers, farmers, housewives, and businessmen who go to make up the United States of America.

I might add, however, that the lobbyists and the pressure boys are not discouraged. We shall have them greedily buzzing about our ears until our job is finally completed.

I have made it clear over and over again that the final answer to the whole threat of inflation is a huge volume of goods of every kind. Your committee has the strongest assurance I can make that we will permit no price-control bottlenecks to stand in the way of rapidly expanding production.

The country is in agreement on the necessity for achieving a peacetime economy of abundance; with good profits for our businessmen, high incomes for our farmers, and steady jobs at good wages for our workers. It is in agreement that this goal can and should be achieved through a free enterprise system with the maximum rights and opportunity reserved for each individual citizen.

These groups may have sharp differences of opinion on how a prosperous future under a free enterprise system can best be achieved. But with few exceptions they are in vigorous agreement as to their stake in avoiding the disaster of inflation.

The general public's stake is prices they can pay and living standards in line with American ideals.

Businessmen have the stake of the large and steady markets upon which good profits always depend.

Farmers have the double stake of prices they can afford to pay and the steady markets for their products that can be maintained only along with high industrial production and employment.

Labor has a big stake in the steady well-paid jobs that can be maintained only if prices stay at levels that make possible big volume sales and mass production.

If inflation once starts no one can say how far it will go. If it starts and gets out of hand, as it did after the last war it will, in my opinion, be inevitably followed by a collapse which will bring disaster to all groups and shake our economy to its foundations. So far our fight to avoid inflation has proved far more successful than most people expected in 1942, or would have dared to hope for.

But the months ahead are critical in the extreme. We shall need all our energies, our courage, and our patience if the final victory over inflation is to be won.

The CHAIRMAN. That is a splendid statement.

Senator CAPPER. I was unable to be here for the first part of your address. There is one question I would like to ask you. What business, or industry, has given you the most trouble so far as your problems are concerned?

Mr. BOWLES. Do I have to answer that, Senator? I would rather not. I could give you a list, but I don't like to.

Senator TOBEY. He refuses to answer by advice of counsel.

The CHAIRMAN. Well, it all depends on whether the Senator insists on it.

Mr. BOWLES. I would prefer not to for obvious reasons.

The CHAIRMAN. Do you insist on the answer?

Senator CAPPER. I should like very much to have it.

Mr. BOWLES. We like to get along with all of them, Senator, and we try. I am not in good voice this morning, Senator.

The CHAIRMAN. Well, you are all right. We have to leave here about a quarter of twelve so as to go over to the joint session.

Senator BUTLER. Mr. Chairman, it is necessary for us to be in two or three other places this morning, much to our own regret. I would like to have been here during all of Mr. Bowles' statement. I think it would be only fair to Mr. Bowles and those who could not be here to adjourn to a time mutually agreeable so that we can have an opportunity to go over what we did not hear and then ask our questions. We cannot do anything in 10 minutes.



Mr. BOWLES. That is entirely agreeable. I know you will have a lot of questions.

The CHAIRMAN. Whatever the committee suggests. Do you suggest we come at a later time today, or another day of this week? What do you gentlemen prefer?

Senator MURDOCK. Is the purpose, Mr. Chairman, to become more familiar with the statement by probably rereading it and then examining Mr. Bowles as to the correctness of it? Is that the purpose?

The CHAIRMAN. That would be, I think, a wise thing to do. I am trying to ascertain what day this week would be agreeable to the committee.

Senator BUCK. Do we meet tomorrow in the Senate?

Senator TAFT. Yes, the Senate will probably take up the tax bill tomorrow.

The CHAIRMAN. On the floor?

Senator TAFT. On the floor, in the afternoon.

Mr. BOWLES. I am before the Senate Small Business Committee tomorrow morning, but Thursday, Friday, or Monday, Tuesday, or Wednesday of next week will be satisfactory to me.

The CHAIRMAN. Thursday morning?

Senator HICKENLOOPER. There are a great many questions that will occur to most of us. It is rather foolish to start in and ask our questions in 10 or 15 minutes.

The CHAIRMAN. Suppose we meet on Thursday at 10:30. Is that all right with the committee?

Senator TAFT. Perhaps we could start earlier. I think it will take me at least an hour to ask the questions I want to ask, and Senator Hickenlooper about the same. It is going to be quite a long session.

Senator HICKENLOOPER. Could we begin at 10 o'clock?

The CHAIRMAN. I am always ready to start at 10 o'clock.

Senator HICKENLOOPER. It makes no difference to me.

Senator MURDOCK. I suggest if the two Senators are going to take an hour each, they get together ahead of the time on the questions they want to ask so that there won't be any duplication.

Senator TAFT. I was perhaps exaggerating.

The CHAIRMAN. Well, now, gentlemen, what do you want to do? Can we meet on Thursday of this week?

Senator TAFT. I suggest you meet at 10 o'clock.

The CHAIRMAN. All right. I will make an imperative direction that we meet at 10 o'clock. Will that be adhered to?

Ten o'clock on Thursday morning.

Mr. Bowles will be here with us.

Mr. BOWLES. Yes, sir.

The CHAIRMAN. Very well. We will take a recess until Thursday at 10 o'clock.

(Whereupon, at 11:40 a. m., an adjournment was taken until Thursday, October 25, 1945, at 10 a. m.)

## INFLATION CONTROL PROGRAM OF OPA

THURSDAY, OCTOBER 25, 1945

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on Tuesday, October 23, 1945, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Murdock, Mitchell, Tobey, Taft, Capper, Buck, Millikin, and Hickenlooper.

Present also: Senator Capehart.

The CHAIRMAN. The committee will come to order.

Mr. Bowles, you made what I think we all recognize as a very splendid statement on Tuesday of this week. After you had concluded your statement the time was short and we put the hearing over until this morning, to give those members of the committee who desire to ask questions the opportunity to do so. You are prepared, I hope, to answer questions?

### STATEMENT OF CHESTER BOWLES, ADMINISTRATOR, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.—Resumed

Mr. BOWLES. There seems to be a big pile of papers over there on the table in front of Senator Taft.

Senator TOBEY. I might make the observation that I am sorry for Mr. Bowles if he is not ready to answer questions.

The CHAIRMAN. He always is ready. Where shall we start with the propounding of questions? I have none in mind particularly to ask at this time.

Senator TOBEY. Mr. Chairman, do I understand that the questioning this morning is to be ad lib around the table, with no holds barred, and any member of the committee may propound any question he desires to propound and get the best answer he can get?

Mr. BOWLES. That is all right with me.

Senator TOBEY. I have two telegrams this morning I wish to present and desire, if possible, to get answers to the propositions raised therein. The first telegram is as follows:

MANCHESTER, N. H., October 24, 1945.

HON. CHARLES W. TOBEY,

United States Senate, Washington, D. C.

The building program is waiting for lumber. Present controls have created a condition best illustrated by the following comparison of stocks on hands reported by members of our association: 1942, 106,000,000 feet; 1943, 77,000,000 feet; 1944, 66,000,000 feet; 1945, 63,000,000 feet. Our labor costs are increasing at an accelerated rate, particularly during the last 3 months. We respectfully

ask that you use your best efforts to have present OPA controls removed by January 1, 1946.

NEW ENGLAND LUMBERMEN'S ASSOCIATION,  
By MERRITT R. LANGDELL  
OWEN JOHNSON,

Mr. Bowles, do you say yes to that inquiry?

Mr. BOWLES. I am inclined to say "no."

Senator TOBEY. From all the evidence you have, do you not think the OPA price controls should be changed or removed?

Mr. BOWLES. I do not think price is the problem. We think we have a terrific lumber shortage. We have a big building program soon to be started, and the lumber situation is one of the blocks we have to get out of the way. Prices of lumber are up considerably since 1941, I think about 63 percent; in fact, it represents the biggest increase of any major product in the country so far as price is concerned. There is a widespread strike on the Pacific coast, which has been in existence for the last month, and even under best conditions we will have a big shortage of lumber next year. But I do not think price is in the way.

Senator TOBEY. This brings up a controversy which will be in evidence in these hearings and on the floor of the Senate, and that is the suggestion that cost of production may be increased and then that the prices of the products are held down. That produces a squeeze. What is your answer to that situation, a situation which becomes intolerable to the men in the business?

Mr. BOWLES. In the first place, Congress established certain standards—or I might change it to this: we established standards based upon the legislative word. That legislative mandate is that all prices must be generally fair and equitable. We interpret that language to mean—and we have talked it over with Congress many times—not less than the 1936-39 earnings. So that no industry can be pushed below the 1936-39 earnings under any circumstances. There are no industries below that point, I believe, and we do make—

Senator TAFT. You state that as the situation, but nobody agrees with you.

Mr. BOWLES. I do not know of any instance where we have not permitted increases to maintain 1936-39 industry price levels.

Senator HICKENLOOPER. I will bring to your attention an instance in a minute or two.

Mr. BOWLES. If we do not follow that mandate we are breaking the law, and if we find any case where we are not doing it or if any case is brought to our attention, we will correct it.

Senator TAFT. Incidentally, those are prices to the industry as a whole.

Mr. BOWLES. It says "generally fair and equitable to the industry" according to the wording of the act.

Senator TAFT. Oh, no, no, no! The wording of the act is a fair and equitable price of the product.

Mr. BOWLES. Generally fair and equitable.

Senator TAFT. For that product. An industry may sell some things at a loss and thereby get nothing from the production.

Mr. BOWLES. That matter has been debated before this committee for over 2 years, that wording and how we are carrying it out.

Senator TAFT. But now we are in peacetime. How will we get production of these things? It is not a question of fairness or any-



thing else, but how can we get production of something on which a person cannot make a profit?

Mr. BOWLES. You must have production. I do not know of anything standing in the way of production; if so, we will make the proper move to meet the situation.

Senator TAFT. Let me read your own statement made to us here on Tuesday:

In addition, for industries which produced more than one product, our product standard has always provided for whatever price adjustment may be necessary to cover the out-of-pocket costs for the industry generally on an individual product.

If you give a man out-of-pocket costs, he is manifestly losing money, and you reaffirm your policy that you are making them sell some things at a loss, and if so, there will be no production.

Senator MURDOCK. Senator Taft, on what page of his former statement are your reading?

Senator TAFT. Page 7. Mr. Bowles, isn't that your policy as stated on page 7 of your statement of Tuesday?

Mr. BOWLES. That is the policy; that is, on an individual product. But you must understand—

Senator TAFT. Then no industry will produce that product.

Mr. BOWLES. What I would like for you to do is this: Wherever you think or may find we have failed to get production because of cost price, point that out and we will make adjustment.

Senator HICKENLOOPER. How about making adjustments that are necessary.

Mr. BOWLES. In the President's Executive order of August 18 there is a paragraph on the necessity of getting production going by making certain tentative price adjustments. We have moved along that line in the case of several items. Brick is one of them. Our prices were not legally an impediment, but undoubtedly the situation was an impediment because brick manufacturers could not pay enough in wages to get the necessary men to do the work. So we raised the price in order to get production. Any place where we see we need to get production and where the price is acting as an impediment, OPA has moved and will move to remedy the situation.

Senator HICKENLOOPER. I know of three washing-machine manufacturers, one of them the biggest in the United States, that have publicly announced that because of this price policy they cannot produce and sell washing machines at the price set, without loss, and therefore they are making only a few washing machines and making those few in the hope that some day OPA will recognize they must be allowed to do business at a profit or they will go broke.

Mr. BOWLES. I think your washing-machine industry has plenty of money to go ahead and can make big money next year at those prices. Westinghouse announced that they are going ahead and sell at the 1942 price.

Senator TAFT. Oh, well, that does not meet the situation. Westinghouse can make washing machines cheaper than practically any other manufacturer.

Mr. BOWLES. Well, it is one of the biggest firms in the industry. I think the price of washing machines is subject to a 7.7 percent increase.

Senator TAFT. Over what year?

Mr. BOWLES. 1941.

Senator TAFT. Yes, but how much have wages and materials gone up? I understand it is about 30 percent.

Mr. BOWLES. Maybe they have.

Senator TAFT. Here are the figures of the Bureau of Labor Statistics. Basic labor wage rates have gone up 40 percent over 1941. Since January 1942 they are up approximately 25 or 30 percent.

Mr. BOWLES. I do not know of any washing-machine manufacturers that have failed to go ahead. I think some others said they would not go ahead until we told them exactly the price. I will say to you that if we intend to control inflation we cannot sit here and—

Senator TAFT. Do you think it fair for a man to have to say: We are losing money and therefore we cannot go ahead?

Mr. BOWLES. If we are accurate in the case of his product, and we certainly think we are, then I think we should suggest that we have a conference and go into the matter.

Senator TAFT. Here is a letter from a man in Indiana under date of October 15, a man who makes windbreakers. He sends me a letter from a knitting mill, in Butler:

This company formerly furnished us the knitted trims for leather jackets but discontinued making them about a year ago. We presumed it was due to the war and just recently wrote them asking if we could now secure these sets so that we could resume making the style garment that we formerly made and which is very much in demand by the consumer.

And here is the interindustry letter:

Due to the low price ceilings established in January 1942, as well as the fact that yarn and labor costs to us have gone up considerably, we regret to advise that we find ourselves unable to make the items that you inquire about until such time as we are given relief by the OPA.

That is the knitting mill. That is a very small item, no doubt, but I do wish to say—

Mr. BOWLES. Let me get the name of that party.

Senator TAFT. I do not care to give you the name. I am just citing this small case, which is wholly immaterial as to the party's name, but it is the principle of the thing. It would seem to make no difference whether people get check-ups or not.

Mr. BOWLES. We want to meet these cases and therefore would like to have the name for that purpose.

Senator TAFT. Then you will use the letter against him.

Mr. BOWLES. I object to that statement.

Senator TAFT. If you go to him and say: "You are threatening the work of OPA," that would not be approaching him in any spirit of adjustment.

Mr. BOWLES. Let us get this straight: I do not like that inferred charge, and do not think it is fair.

Senator TAFT. And I do not like your statement in your paper here on Tuesday, that any manufacturer who says "I am not going to make this product," will have some action taken about it, because that is a threat.

Mr. BOWLES. I think you will find by reading over that statement that that is not what I said.

Senator TAFT. On Tuesday you referred to all these people as "pressure groups."

Mr. BOWLES. Not all these groups are pressure groups.

Senator TAFT. Then what is a pressure group, according to your statement?

Mr. BOWLES. I would define a pressure group as one that has gotten a fair price. Lots of groups come to us to show to us their situation, and if we are wrong, and we may be wrong, a change is made. But after something has been set, and it is generally fair, and all records show it is fair, then if they organize throughout the country a big effort in opposition—

Senator TAFT. Then anybody who appeals to Congress from your decision immediately becomes a pressure group?

Mr. BOWLES. Oh, no.

Senator TAFT. Is it a case of pressure on you or on us?

Mr. BOWLES. I could go into some detail on this but I would rather not do so because I would like to keep all these people with as good feeling as possible.

Senator TAFT. I have had any number of people come to my office complaining of acts of the OPA, and stating with obvious sincerity that they think you are wrong about this or about that. Are they pressure groups?

Mr. BOWLES. I do not think they are. If you will send them over to us we will be delighted to see them and to do what we can to iron out the situation.

Senator TAFT. They come to me after they have seen you and, perhaps, say that for 2 weeks they have been unable to get any relief. I do not know what the justice of their case is but certainly they do not think there is any inducement to them to go back and increase production under the circumstances.

Mr. BOWLES. I will say that reconversion at the present time is way ahead of schedule. WPB says that, and—

Senator TAFT. From the information I have, I would dispute that. It seems to me there is no increase in the case of many products, judging by the instances cited to me.

Mr. BOWLES. Did you say you would or you would not dispute it?

Senator TAFT. I would dispute it. I talked to a man yesterday who gave me some facts. I was in Columbus Sunday and three different groups came to see me. I suppose you will call them "pressure groups" although I do not know just what your definition of pressure groups is. One man mentioned to me his situation, and he is one of the largest shoe manufacturers in Columbus. He said, "We have demand for twice as many shoes as we have today, but I would be a fool to extend my factory."

He is losing money on the manufacture of shoes and therefore he is not going to undertake to increase his production or do anything more than run one shift of 40 hours until there is an adjustment of price.

The same thing applies in the case of a shoe company in Portsmouth, Ohio. In that case the man said they were losing money on the manufacture of shoes. Why? Because the OPA says they are to have no relief because they give licenses to make foreign shoes, in other countries, on which they make a profit. That may be just in time of war, but certainly it will not increase the production of shoes now.



Mr. BOWLES. Mr. Ney can tell us about shoes.

Mr. NEY. The situation on shoes is roughly this: Throughout the war shoes have been rationed principally because of the fact that a great portion of the production has been diverted to military use, particularly men's shoes. The shoe industry—

Senator TAFT. These are women's shoes.

Mr. NEY. The shoe industry generally, and I might almost say entirely, has been profitably conducted. The problem comes about by reason of the fact—

Senator TAFT. Oh, yes, you say that, but here are the representatives of two of the largest shoe companies in Ohio, and they say, "We lost money last year and are now losing money." And I say to you that I would believe those people and do not believe you.

Mr. NEY. That is your privilege.

Senator MURDOCK. Mr. Chairman, I respectfully ask that this witness be given the opportunity to answer one question before another one is piled in on top of that question.

The CHAIRMAN. I suggest, Senator Taft, that you permit the witness an opportunity to answer a question before you propound another question.

Senator TAFT. Go ahead. I do not think he is answering my questions.

The CHAIRMAN. That is perhaps a matter of opinion.

Senator TAFT. Go ahead.

Mr. NEY. The shoe industry generally has operated at a profitable level throughout the war. The men's shoe industry is converting from wartime to peacetime production, and a great deal of the profit has been in military shoes. That is the first point. Secondly, there is the problem of conversion in that part of the industry which has shifted to nonrationed shoes, which has been very profitable. At the request of the shoe industry we instituted a survey last July to determine the profit position of the industry, and to find out what the effect of conversion would have on their profit. That survey has been completed and we will have a meeting on the 30th of this month to determine whether an increase in the ceiling price is necessary.

Senator TAFT. And if so, how much?

Mr. NEY. And the final point: Does it apply to the industry generally or only to certain price levels of the industry?

Senator TAFT. This particular request I received 5 months ago and it has taken the OPA all that time to start something on it. Both of these firms manufacture women's shoes, and the only demand I suppose for women's shoes would be in the case of the Wacs and the Waves, so far as the military service is concerned.

Mr. NEY. Are those rationed shoes?

Senator TAFT. I think they represent the regular line of women's shoes. I do not know what the condition is, and you may be right and they may be wrong, though I doubt that. At any rate, they are not going to increase production because if they do they will lose money, and that means that they are not going to employ any more people, and they will not provide the volume of shoes that will make it possible for prices to go down.

Mr. BOWLES. WPB says the increase in the output of shoes is running greater than expected. It has gone up from 22,000,000 to 30,000,000 pairs a month, and is still moving up, according to WPB.

Senator TAFT. Of course, there are many different kinds of shoes, and who makes this prediction of expectations and what the plan is, I would like to know.

Mr. BOWLES. This is a report by WPB.

Senator TAFT. You say "an output greater than expected," but what was expected, and by whom?

Mr. BOWLES. Greater than the industry expected. I should like to amend that figure to 27,000,000 pairs of shoes a month rather than 30,000,000 pairs of shoes a month. It has gone up 5,000,000 pairs a month in the last 30 days.

Senator TOBEY. This telegram I hold in my hand came in this morning. It is from a man whom you doubtless know, a friend of mine in Boston, Dick Robie. He wires me:

According to what I have read in the press your committee is going to question Chester Bowles. I should like to have you ask him this question: Why has OPA consistently refused, on the rationing of automobiles or essential transportation, to abide by the recommendations of ODT. You can cite Drivurself vehicles and ODT order 26-A and show letters from ODT. Have just been notified by an automobile dealer that he could deliver a few new vehicles to me next week but as yet OPA has not put a price on them and they don't know to whom they can sell them. What kind of shenanigans is this? If you get any information on what the future program is, as far as automobiles are concerned, please wire me collect. Best regards.

Mr. Bowles, what have you to say to that?

Mr. BOWLES. What cars are being delivered?

Senator TOBEY. Without mentioning names, this dealer expects to deliver some cars next week.

Mr. BOWLES. I can tell you the prices of automobiles in certain cases, or at least we have gone into the matter with three companies in the automobile industry, and only three: One is Studebaker, 3 weeks ago, and next is the Packard, which came in this week, and one is Ford, which came in 2 weeks ago. Our people are out in Detroit today to consult with Ford.

Senator TOBEY. Can you tell us how they will compare with prewar prices?

Mr. BOWLES. I cannot tell you right now, but I do not know of any cars being shipped that we cannot give a price on. Is it an old car?

Senator TOBEY. His specific question is: "Why has OPA consistently refused, on the rationing of automobiles or essential transportation, to abide by the recommendations of ODT?"

Mr. BOWLES. Reference is made to two agencies. ODT has charge of all transportation. I do not know what he means. Would you know, Mr. Ney?

Mr. NEY. I do not.

Mr. BOWLES. Do you know that, Jim?

Mr. ROGERS. No.

Mr. BOWLES. As a matter of fact, the number of rationed cars left is practically nil.

Senator TOBEY. I will have this telegram placed in the record of our hearing, and then will turn both telegrams over to you, and will ask that they be returned to me.

Mr. BOWLES. All right.

Senator TART. The most violent complaint I have received from Ohio was in the case of the Columbus Retail Coal Merchants Associates, Inc. I will read their telegram:

The coal merchants of Columbus did a magnificent job all during the war but our reward at the moment seems to be persecution by the Office of Price Administration. Every coal merchant in Columbus either has been or is going to be investigated by the OPA. We have no objection to being lawfully investigated, but we do wish to register a bitter protest to the manner in which some of our merchants have been handled up to this point. Twelve coal merchants' cases have been thrown into the Federal court on treble-damage basis without the common decency of having the opportunity to even explain their side of the story. It is our understanding that this procedure is being followed against the advice of local OPA legal counsel, but at the insistence of the enforcement division operating out of the original regional OPA office at Cleveland, Ohio.

I talked with the attorney for the Columbus Retail Coal Merchants Associates, Inc., Mr. Crabbe, a former attorney general of Ohio, and he sets out this complaint more in detail, as follows:

The OPA has filed numerous suits against the coal dealers without any notice or warning of any kind, and then were called in with their accountants to go over the records and discuss the matter of prices. It seems that the coal dealers had attended a large meeting at the Southern Hotel nearly 2 years ago when a representative from the OPA met with them, and this representative explained how they were to determine the retail price. Although they followed the instructions of this representative strictly it is now claimed that the interpretation of the OPA expert was in some cases erroneous and a new interpretation is now given by the present price expert. However, without any notice of the change in the interpretation prominent coal dealers have been brought into court and wide newspaper publicity given to the effect that they had exceeded the ceiling price.

I will not use these names of OPA representatives mentioned in the letter, although I will be glad to give them to your people, who were at this meeting of October 5 referred to. It is stated here that they—frankly admitted that although they did not approve of bringing the proceedings and filing charges first and making an investigation afterward they were directed by Washington to do so and give the matters wide newspaper publicity. They would be called upon for monthly reports, and, therefore, would be compelled to make a big showing as to the number of suits filed and the volume of business done.

This is what your OPA men said, and I can get affidavits to that effect. Continuing the letter:

They stated that Chester Bowles would be compelled to appear before congressional committees for appropriations to continue his department and that unless this and other offices could make a big showing, as above indicated, he would be unable to get adequate appropriations.

Mr. BOWLES. I would say that anybody who said that ought to be fired.

Senator TART. The letter continues:

In a further effort to comply strictly with the OPA rulings the retail coal dealers association has called the OPA literally hundreds of times so there might be no misunderstandings, and in an effort to comply strictly with the ceiling price. Mr. —, who seems to be the spokesman for the Washington office, stated that under the new interpretation if a coal dealer can show that he acted in good faith and under the previous rulings of the department that by filing certain papers with the Washington office it is possible to be relieved of the triple liability. This is the biggest concession that the OPA would offer. Prominent coal dealers present stated they had been in business for many years and had built up a reputation for honesty and fair dealing and that when the newspapers in great headlines mentioned the suits brought against them for



alleged excess charges it was not only embarrassing but did them a great injustice.

Mr. BOWLES. There are several points there. First of all, if any of our people said what they are quoted as saying, they ought to be fired. There is no excuse for that.

Senator TAFT. In other words, they said they had to make a showing and therefore would file suits first and investigate afterward. There can be no doubt about that.

Mr. BOWLES. If they said that, they ought to be fired.

Senator TAFT. I think that is rather common practice with the OPA, is it not?

Mr. BOWLES. I do not think so. We have a big enforcement job to do, and I think it is handled with a minimum of that sort of thing. Obviously, I cannot and will not stand for that sort of thing; I never could and never have. As far as the rest of it is concerned, it is something I would like to look into. I do not know anything about the status of it. It is generally our practice to call people in and discuss matters with them in detail before taking any such action.

Senator HICKENLOOPER. In verification of this particular principle, I want to say that I called the matter to the attention of the committee when we had hearings this spring or summer. A meeting was held in one of the larger towns in Iowa this spring—and I want to add that this was brought to my attention by reliable people—and it was at a time when the OPA enforcement official had his agents in there, and he said to them: "There are two or three towns where it is apparent that we have not prosecuted anybody. Go up there and prosecute them and give it publicity."

Mr. BOWLES. Well, anybody who did that is crazy.

Senator HICKENLOOPER. I was not at the meeting, of course, but I do not doubt that that occurred.

Mr. BOWLES. I would like to look into that.

Senator HICKENLOOPER. I have the word of individuals who know about that.

Mr. BOWLES. I do not doubt your confidence in the information submitted to you, but that just does not seem possible. Of course, in any big operation you are likely to get some such people in it.

Senator HICKENLOOPER. I have had this matter up with your Office but have not given it any other publicity; and I think Mr. Weinstein was over in my office at a meeting of a number of Senators and some representatives of the lumber industry on this proposition. The price regulation was that the retail dealer in lumber could fix his retail price according to a certain formula, which includes the selling price of the jobber or the wholesaler plus certain other charges. Then there is another section of the regulation which now is interpreted by OPA to apply strictly to the jobber, which says the jobber may add \$2 to his price on broken carlots, four or more dimensions. Dealers all over the Middle West in reading that—and I am frank to say that I read it thoroughly along with your official, and I still get the same interpretation of it—but as I started out to say, dealers all over the Middle West interpret it, and I think clearly and properly, to the effect that that \$2 per car can be added to the jobber's price in calculating their retail price. They did it uniformly where the jobber charged that on broken carlots of four or more dimensions.

This is the same representative of OPA who made a systematic canvass of lumber points in my State—and probably they are going from State to State, but they happened to come to my State first—and they have filed actions or have made their complaints against those dealers for this \$2. Both the Omaha office and the Des Moines office say it is a confusing thing and that a clarifying interpretation would be issued eventually by OPA, thereby admitting that the language was confusing. However, they are persisting in their charge against those dealers, but they say, in a somewhat magnificent way, that because we admit this is not a willful violation, and there is a little misunderstanding, we will only charge the dealer the penalty of one time for each, or \$2. We won't assess triple damages. In correspondence with you, Mr. Bowles—and I say it kindly, because I do not think all letters that go out of your Office are seen by you—

Mr. BOWLES. I do not see all of them, of course. There are about 700 a week that go out of the Office. I think it is a bad system.

Senator HICKENLOOPER. I have a letter over your signature, again stating that due to the confusion or misunderstanding, you are preparing—and this was 3 weeks ago—to issue a clarifying amendment. You thereby add weight to the fact that those dealers were confused. Nevertheless, your people say you are going ahead with prosecutions. They say, "We admit it is not willful." I said to them: "Why don't you drop those prosecutions so far as what has gone on in the past, because it is not a willful violation? Issue your clarifying regulation and then punish them if they continue after you clarify this language."

Mr. BOWLES. Let me go into that. Do you say you have already written me a letter?

Senator HICKENLOOPER. I wrote you another letter but have not received a reply to it.

Mr. BOWLES. We made last year several hundred thousand investigations of enforcement cases. If I remember the facts correctly, they amount to 340,000 violations of regulations that were filed. But action was only taken in 55,000 cases. That does not indicate an inflexible attitude. Out of each 7 cases, 6 were handled one way or another without any court action at all.

Senator HICKENLOOPER. I did not mean to indicate that this was a definite charge you were out to get somebody, but as representing a rigid and inflexible thing that appeals to me as being an injustice. It may well be nonwillful, the result of confusion, and yet the enforcement policy is to go ahead on those cases without any consideration of that particular situation.

Mr. BOWLES. I would like to take a look at that. Even with 55,000 actions that we took, I obviously cannot say they were all right, any more than any enforcement organization can prove that each and all actions were right. About a couple of years ago we used to have a lot of cases coming in that would disturb me because they would make me think they were not actually following the enforcement policy. When these things come up, we go into them very earnestly. On this thing that Senator Taft brought up a while ago, if our people made that statement I say there was no excuse for it. But out of 55,000 cases, I hear of relatively few today along that line.

Senator TAFT. I suggest that you get in touch with your enforcement people and find out about this situation.

Mr. BOWLES. I will do that.

Senator TAFT. I have numerous complaints from food dealers in Canton, Ohio. Here is one from the Canton Food Dealers Association:

Your help in checking OPA enforcement practices will be appreciated. The food dealers approve present prices, but you read the Canton Repository, October 12 issue; the picture will be very plain. The methods they use will not be tolerated by the food industry, and trouble lies ahead.

Apparently there has been a drive by the OPA in Canton. I continue:

We ask for an immediate investigation of unfair and illegal methods used by the OPA in handling the food situation in Canton and vicinity.

And another one:

Our complaint is that innocent grocers are being fined for 1- and 2-cent mechanical errors in pricing, while the more serious crime, such as selling scarce items from under the counters at exorbitant prices, goes unchecked, which is the real cause for inflation.

And another one:

The OPA has moved in on Canton. Fines are being dealt out by the wholesale for the slightest and the most unintentional offenses.

Mr. BOWLES. Let me explain to you how we handle retail violations in the case of food. First of all, they are handled by a group of volunteers. They are not paid people. They are within the local price panel, composed in part of local merchants. We try to get very representative groups. Volunteers go out from those offices and check stores. Always when they go into a store they tell who they are. There is nothing secret about it. They say, "I am from the OPA. I want to go over your prices." The rule is that at first overceiling charges that amount to very little or are obviously inadvertent are called to the proprietor's attention and corrected. They usually go in two or three times before any action is taken about it. Then, and only then, does this volunteer group take any action. If they cannot get the matter settled, they call upon the OPA office.

Senator TAFT. Do you call that the action of pressure groups?

Mr. BOWLES. I did not know that there was any mystery about pressure groups.

Senator TAFT. You have attempted to smear anybody who makes complaint against the OPA. I hear it, and you can read it in the press, and can find a good deal of evidence of it. Then anybody who complains about the OPA is a member of a pressure group, and he is smeared from the beginning.

Mr. BOWLES. That is not a fact.

Senator TAFT. That is certainly the fact according to the statement you read.

Mr. BOWLES. Certainly you will find that OPA is faced, as any big operation is, with the problem of enforcement, and, where possible, it goes back and gets things changed.

Senator TAFT. But you go ahead with the idea that those people are crooks.

Mr. BOWLES. That is an absolutely fantastic statement. I have been in business, and Dr. Ney has been in business, and certainly we know what business is.



Senator TAFT. But you have been converted into a Government bureaucrat. I am not criticizing you personally, but the attitude of OPA today, as I get it from everybody who comes to me, is that the businessman is presumably a crook; that if he is trying to make a profit he is greedy—and that is another term that you use there. The implication is that anybody who complains is a member of a pressure group; at least, that is the impression you have created on business.

Mr. BOWLES. To the contrary, I sometimes get presents from some of our industry adviser group.

Senator TAFT. They are very wise in doing that.

Mr. BOWLES. What is the implication of that statement? Is it that I am going to raise the price?

Senator TAFT. It is wise for them to be just as agreeable to you as possible. It is wise for them to cooperate. But these Canton retail food dealers say you have got beyond the point where they can cooperate.

Mr. BOWLES. I would like to look into that. I have told you the system we have. They do not do it the same way in other countries. We have local people in the communities who are our screen. They screen all these cases before they come to us.

Senator TAFT. These are not OPA people?

Mr. BOWLES. They are volunteers.

Senator TAFT. Then you have outside of the Government a group to spy on other people.

Mr. BOWLES. They do not spy on anybody. They go into a store and say, "I am from the OPA." Many of them are local merchants.

The CHAIRMAN. I think the majority of the members of the committee have regarded that as very courteous and a very fine thing to do.

Senator TAFT. I suggest that it is absolutely un-American and contrary to law and contrary to the Constitution. I mean for the Government to go out and get a group of people to work for them for nothing on law violations.

Mr. BOWLES. Then do you mean that you would rather have a lot of paid food investigators out spying on these people? I would rather handle it this way.

Senator TAFT. I would call it extralegal and an improper thing to do.

Mr. BOWLES. We have been doing it for 3 years.

Senator TAFT. But it is illegal.

Mr. BOWLES. It is the first time I have heard it called illegal.

Mr. FIELD. I never assumed there was any requirement that the people had to be paid for giving service to the Government. Certainly as to these service boards or ration boards, I have never heard it suggested before today that it was illegal to work for the Government for nothing. Certainly many of the endeavors in wartime have been put across only by reason of the disinterested giving of time by citizens to help make the war program a success.

Senator TAFT. What you are doing is organizing consumers against business.

Mr. BOWLES. These are not consumers any more than paid investigators. And I will say that you are going to have an opportunity to vote on a resolution to compliment these people. There are 200,000

of them. Practically half of them are business people and the rest of them are clergymen, doctors, doctors' wives, and other representative people.

Senator TAFT. They are to go out and check up on business on the assumption that business has been violating the law, that business people are necessarily crooks, and are going to get all they can; in other words, stirring up all the feeling you can against these Canton food dealers.

The CHAIRMAN. I think that is an unfair statement to make about these volunteers. They have come before our committee, and we have commended them for their volunteer work.

Senator MURDOCK. Mr. Chairman, may a Democrat ask any questions here this morning, or is this to be considered a field day for those sitting to the right of the Chairman?

The CHAIRMAN. Go ahead, Senator Murdock.

Senator MURDOCK. I should like to call attention to the fact that we have had a few dollar-a-year men in high places all during the war, and they are constantly referred to as very patriotic, outstanding, and leading citizens. If it is a violation to use people one might say in the lower brackets of society who come in and volunteer to do the job there, certainly the same rule should apply to these dollar-a-year men at the top. I have not heard the Senator from Ohio make any complaint about that.

Senator TAFT. No; and because the dollar-a-year man who comes here, if he is any good, is representing the interests of the Government, but these other people are employed to represent themselves, so to speak.

Mr. BOWLES. They are not employed.

Senator TAFT. They are against these businessmen.

Mr. BOWLES. The most of them are businessmen.

Senator MURDOCK. It would seem that the Senator from Ohio wants to make the rule that anybody serving the Government gratis is violating the law.

Senator TAFT. Oh, no.

Senator MURDOCK. If the Senator from Ohio will remain silent for a minute, I will try to complete my statement. The Senator makes a rule all his own, and I doubt if he could get many lawyers to agree with him, and that rule is that volunteer service on the part of the citizen is unlawful. Then when one calls to his attention the fact that we have had volunteers in high brackets, heads of industry, to come down here to Washington, and that they have been handling almost exclusively war production, that they are a different kind of citizen, and that his rule self-promulgated this morning is not applicable to them but is applicable to people down in the lower brackets that volunteer for practically the same type of service, the contention made seems to me illogical.

Senator TAFT. The fact of the matter is that OPA goes out and organizes one class of the community, say consumers, and says to them: "Get together and help us enforce the law."

Mr. BOWLES. That is completely incorrect. These people are, for the most part, businessmen.

Senator TAFT. Many of them are women.

Mr. BOWLES. Rarely will you find the chairman of a price panel who is not a businessman.

Senator TAFT. I am talking about these people who go out investigating.

Mr. BOWLES. The panel is the one that organizes them. The chairman is almost invariably a businessman. They go out and explain the rules and regulations to the retailers, advise them how they can avoid violation of regulations, warn them when they go over the price, and then warn them again. They come in, and there is a business group usually dominated by retailers. That is truly the democratic way of doing it. The contrast to that would be to go out with 30,000 or 40,000 investigators paid by the month, in the manner of a lot of investigators checking up, instead of trying to handle the situation in the democratic way.

There is another statement I would like to read, Senator Taft, inasmuch as you have referred to various statements I read the other day:

While the vast majority of all groups including our businessmen are squarely behind our efforts to hold a stable level of prices and to defeat the forces of inflation, the attacks of the pressure groups continue.

The businessmen of this country I think are now behind this program. I could show you hundreds of letters that have come to me stating that.

Senator TAFT. Are you willing to leave this whole thing to the people to decide?

Mr. BOWLES. I think anything about inflation would be safer if left to the people to decide when they are fully informed.

Senator TAFT. Why send out this card about continuing the OPA?

Mr. BOWLES. It is to hold down prices.

Senator TAFT. Here on this card I find the warning: "Danger ahead, America!" Then it goes on to say:

Look at what happened after the last war. For your own sake, for ours, for America's, don't let it happen this time.

Mr. BOWLES. Does anyone want it to happen this time?

Senator TAFT. This is addressed to consumers:

Prices went down a little, then shot up. Earnings and savings bought less and less. Buying slowed, prices crashed. Stores, offices, factories closed. Millions lost jobs, homes, and farms.

Then to the right of the diagram we find this:

This time America fought wild inflation. We must continue to hold the price until supplies equal demand. Prices that people can afford to pay mean more buying, more business, more jobs.

On the other side of the card we find:

Over ceiling prices quickly could cut in half the buying power of the check you receive with this message! Watch the price line! Refuse to pay a penny over the ceiling price. Be sure you get full weight and the grade for which you are paying.

That would indicate general crookedness among all retail dealers.  
Mr. BOWLES. Oh, no.



Senator TAFT. And then it goes on to say:

Check your shopping list with the OPA ceiling price list.

How many millions of those were printed?

Mr. BOWLES. I do not know.

Senator TAFT. Will you find out?

Mr. BOWLES. All right.

Senator TAFT. Did the OPA pay for them?

Mr. BOWLES. I gather they did.

Senator TAFT. As I understand it, this goes out with every allotment check to every dependent and to servicemen.

Mr. BOWLES. What is wrong with it?

Senator TAFT. I am asking you if it does.

Mr. BOWLES. I assume it does.

Senator TAFT. It says:

Do not write to the Office of Supplies and Accounts for information on the above subject.

In other words, do not worry them.

Mr. BOWLES. We do not want to be asked a lot of questions about this.

Senator TAFT. Do you think it right for OPA to propagandize for a continuation of OPA?

Mr. BOWLES. That is not the intention, to do that. It says inflation is a bad thing, and is there any disagreement on that? It says after the last war we had inflation and we do not want to repeat it; is there anything wrong with that?

Senator TAFT. The appeal is to continue OPA more or less unchanged.

Mr. BOWLES. I do not see that in there.

Senator TAFT. I do. That is propaganda for a continuation of OPA, on one side, and on the other side it tends to create distrust for the retailer because you ask the consumer to check up on everything he or she buys because the retailers are probably crooks.

Mr. BOWLES. I do not understand it that way.

Senator TAFT. It says:

Refuse to pay a penny over the ceiling price.

Mr. BOWLES. They have the right to see that they get full weight and grade for that which they are paying.

Senator TAFT. I do not object to their doing those things, but do object to OPA going out and propagandizing and using another agency of Government to propagandize millions of people.

Mr. BOWLES. I do not think OPA is mentioned there.

Senator TAFT. Didn't you have anything to do with this?

Mr. BOWLES. We wrote it and paid for it.

Senator TAFT. Isn't that propaganda for a continuation of price control?

Mr. BOWLES. It is propaganda against inflation, and I know of no one who is for inflation. It says we had inflation after the First World War, and let us not have it again. If that is a debatable question it is new to me.

Senator TAFT. Certainly it is a debatable question whether OPA should be continued now or not, or whether conditions are the same now as after the last World War.

Mr. BOWLES. What I say is, whether inflation is a good thing or not is not debatable.

Senator TAFT. That is not my question.

Mr. BOWLES. It says:

Let us not have inflation.

Senator TAFT. I have read it. It is quite obvious that it is propaganda, and you are not willing to leave to the people to decide this thing themselves without propagandizing millions of people to get them in favor of it.

Mr. BOWLES. The Price Control Act is continued to June 30 of next year and in the meantime we have the mandate of Congress to go ahead. As long as we have the mandate of Congress to carry on this matter under the policies discussed thoroughly with Congress last spring, I am going to do it until I am told by the Congress to do it differently.

Senator TAFT. Did you request the Army to put this in with every allotment check?

Mr. BOWLES. I do not know.

Senator TAFT. But you know the OPA did this?

Mr. BOWLES. Yes; and I think it is a good thing.

Senator TAFT. Did you ask the Treasury Department to send it out with all of their checks?

Mr. BOWLES. I do not know.

Senator TAFT. Will you find out how many million of these cards have been printed at Government expense to go out to dependents and servicemen?

(The following information was later received for the record:)

The number of stuffers put out during October 1945 was—

Navy	2,870,000
Army	5,000,000
Total	7,870,000

OPA paid for these stuffers.

Mr. BOWLES. I did not know that OPA was the only agency concerned with inflation.

The CHAIRMAN. As far as I am concerned, I am glad that you did it.

Senator TAFT. It is the first time I have heard of one department going to another to put propaganda out through service checks.

Mr. BOWLES. Propaganda for what?

Senator TAFT. For the continuation of OPA policies and for a continuation of OPA for a long time to come.

Mr. BOWLES. It is already continued to June 30 next year.

Senator TAFT. It was just this same argument made to us that you could not stop price control by the 1st of next July, and that we must enact another.

Mr. BOWLES. It is up to you.

Senator TAFT. It is just another argument along the same line.

Mr. BOWLES. It did not occur to me that that was concerned with a time after June 30.

**The CHAIRMAN.** Mr. Bowles, may I ask a question?

When we had up the question of extending the OPA for another year, the chairman of the committee asked representatives of every business before the committee whether any of them desired to repeal OPA or shorten the term, and they were all for continuing the OPA. That was the view of the businessmen of the country.

The polls indicate the same thing. So when we are talking about what the people think, the polls all indicate by a very large majority that they want to continue price control.

**Mr. BOWLES.** Senator, we asked 7,500 businessmen three or four simple questions on how long they thought this was necessary. We asked them not to sign their replies; simply to send them in so that nobody felt they were influencing anything at all, just send in their replies.

Of those that have come in so far only 6 percent said control should be stopped right now, and only 12 percent, including the 6, said it ought to be stopped in the next 3 months. The great majority said we need this if we are going to stop inflation—

**Senator TAFT.** As far as I am concerned I think price control should be continued on some things, but four out of five could just as well be eliminated. The others I agree should probably be continued, but that is not the point. The point is that you are propagandizing for your continuance at Government expense contrary to the statute which makes it a criminal offense to do it.

I think you ought to read that statute. I think you ought to stop this kind of thing which is obviously an attempt to influence the people of this country for the continuance of OPA, whether that is the right thing to do or not.

**Mr. BOWLES.** I don't think it is obviously an attempt to do anything of the kind. It is a statement that we must not have inflation again. We had it after the last war. Conditions are somewhat different from the last war. In some areas they are more dangerous and some areas less dangerous, but I think the greater danger overbalances. There is nothing in there about the continuance of anything. It largely deals, if I read it properly, with food, not with the continuance or discontinuance of anything.

**Senator TAFT.** Well, it doesn't say anything about food on the back. On this side here is a picture of a lady and it says, "Price control is your job." Not just 200,000 people to enforce it, but now you want millions of people, you are urging them on as consumers to go out and enforce your law. "Report all overcharges to the OPA." That is the appeal primarily on this card, isn't it?

**Mr. BOWLES.** If the charge is that we are trying to make this program thoroughly democratic and handled by the people, then I am guilty of that. I am sorry.

**Senator TAFT.** No. I say you are trying to stir up all the consumers of the United States in accordance with the general attitude of the OPA.

**Mr. BOWLES.** That is a very strange interpretation.

**Senator MURDOCK.** May we have the card inserted in the record at this point, Mr. Chairman?

**Senator TAFT.** Oh, yes, certainly.

**The CHAIRMAN.** The card may be inserted in the record.



(The card is as follows:)

Over ceiling prices quickly could cut in half the buying power of the check you receive with this message!

*Watch the price line!*

Refuse to pay a penny over the ceiling price.

Be sure you get full weight and the grade for which you are paying.

Check your shopping list with the OPA Ceiling Price List.



**PRICE CONTROL IS YOUR JOB**

**report all overcharges to the OPA**

Do not write to the Office of Supplies and Accounts for information on the above matters.



**DANGER  
AHEAD,  
America!**

Look at what happened after the last war. For your own sake, for ours, for America's, don't let it happen this time.

Prices went down a little, then shot up. Earnings and savings bought less and less. Buying slowed, prices crashed. Stores, offices, factories closed. Millions lost jobs, homes, and farms.



This time America fought wild inflation. We must continue to hold the price line until supplies equal demand. Prices that people can afford to pay mean more buying, more business, more jobs.

Senator CAPEHART. Mr. Chairman, I am not a member of this committee and I don't claim to be a prophet, but about 4 months ago I introduced in all sincerity a resolution to check into the OPA problems that we are discussing today, because I felt at that time that many things were going to happen. I was not interested in witch hunting. I wanted to be helpful, and I still want to be helpful.

I want it definitely understood I am in favor today, and was at that time, of controlling ceiling prices in order to avoid inflation. I still am in favor of it.

Now, first let me say that the job was, and still is, about the toughest job anyone could have. I know of nothing more difficult than the OPA's job, whether they are to blame or whether they are not to blame, I frankly admit that I don't know. I think there is a bad situation in the country today. I think there is a tendency on the part of business to feel that OPA is trying to persecute them. I don't know whether they are justified in that feeling or not. I base that upon the letters and the number of businessmen that talk to me. Therefore I think it is a bad situation. I think it is delaying reconversion. I honestly believe that thousands and hundreds of thousands of men today, and women, are unemployed on account of this problem we are discussing.

I want it understood at this point I am blaming no one. It is a bad situation. No one wants runaway inflation. When I was in Paris

last May coffee was \$8 a pound. We don't want anything like that in this country. I think we should go to most any extreme to avoid inflation.

Personally my chief objection—I am talking now only of manufactured products, of processed products, because in the final analysis everything must be manufactured or processed before it goes to the wholesale dealer and on into the consumer's hands.

I believe a better plan can be worked out on prices of manufactured and processed merchandise. That was one of the things I had in mind 4 months ago. I still believe that it is important that the Congress cooperate and work with Mr. Bowles and his organization in order to solve this problem, not on the basis of a witch hunt, not on the basis of calling names, but on a basis of trying to solve the problems. This is my own personal opinion.

I am of the opinion that Mr. Bowles and his staff are much confused at times, that they come up against problems that are almost impossible to solve. On the other hand, I am likewise convinced that they have many in their organization who have entirely the wrong philosophy toward this problem. I would like to suggest that each manufacturer and processor be given a price based on his own individual cost, based on a percentage above those costs, a profit percentage that is a fair and decent profit, and that those prices be made the hold-the-line prices, and that those prices take into effect the increase in labor rates, that it take into effect the increase in material costs, that each individual case be handled on its own merits, because you then will arrive at a ceiling price of every manufactured and processed item in the United States, and that is what you are trying to do now.

Then it should be very simple to establish the percentage that the wholesaler and the dealer is entitled to. That is rather standard. It has been in use for many years. Every manufacturer and every processor has a little different schedule, as Mr. Bowles well knows. Now some may say that it cannot be done, but every man in business files a tax return every year, and he figures his tax on the basis of his profit, and he has a form to do it.

In other words, he arrives at what he owes the Government based upon the schedule of taxes that the Congress has passed.

My opinion is that you can reverse this procedure and permit every manufacturer and every processor to figure his own costs, figure his own ceiling price, based upon a formula that OPA would establish. Let him file those. Let him sign an affidavit that they are true. Let Mr. Bowles and his organization process those cases. If they find instances where they think a man is figuring too much costs, they can talk to him about it and establish ceiling prices that are fair and establish ceiling prices that will encourage industry and encourage business to go out and do what?

To do the thing we all want them to do, and to do the thing that will permit Congress to discontinue the OPA, and permit Mr. Bowles to go back to his job, as he told you yesterday he would like to, and that is to encourage and get a lot of production, because the minute the stores are filled with merchandise, where a person can go and buy what they want and when they want it, then there is no longer any need for OPA price ceiling, and there is a need until that time arrives.

For example, in Paris, the only reason coffee was \$8 a pound was because there was no coffee. Had someone shipped into Paris that day a million pounds of coffee, coffee would have gone down to possibly 35 or 40 cents a pound. Unless we do adopt a policy, unless OPA can handle this thing so that the great bulk of the businessmen become encouraged and enthusiastic and will start their factories and employ all the people and get big production so that the law of supply and demand will rule prices rather than OPA, I don't think we are going to get any place.

I am very much concerned about this, not because Mr. Bowles has done a good job or a bad job. All I know about it, and I think that is true of other Senators, is what we hear, and the letters we are receiving and the wires we receive. I perhaps happen to be a little closer to it than other Senators, because I am in business and I know what the problems are.

I would like to see us cooperate and work with OPA to solve these problems, because whether you like to hear it or whether you don't, the fact remains today that there is literally hundreds of manufacturers and processors and people in business who are not getting into production. They are not doing the job they should be doing, both for their own sake and the sake of the American people. They are not doing it because they feel they are not going to be able to make a profit.

Whether they are justified in that or not, I don't know. I would like to bring them in here and find out. I would like to help solve this problem some way, and it seems to me this morning we possibly are accomplishing something—maybe; I don't know; I rather doubt it. We are not getting to the fundamentals of the thing. What we all want is production, and until we do get big production we are going to have to continue OPA.

What is holding up this production? Is OPA to blame, or is it the manufacturers? I think it is the responsibility and the duty of the Congress to find out.

Senator TAFT. The Senator has a resolution to investigate it. I think it should be adopted.

Senator CAPEHART. I don't care anything about the resolution. This committee can do it. I would like to see closer cooperation between Congress and OPA. You have a bad feeling at the moment between Congress and OPA, on the part of a great majority of Congressmen and Senators. You have a bad feeling between industry and OPA. There must be some way to eliminate that. I am certain there is. If it was a business problem, we would eliminate it. If we had one department fighting another we would get together and eliminate it. I don't believe we are going to get very far on this problem until we do that very thing.

The CHAIRMAN. Mr. Bowles, that is, I take it, in the form of a question. Would you care to answer it?

Mr. BOWLES. I would like to comment on it.

Senator CAPEHART. I am not a member of the committee, and I am not supposed to ask questions.

Mr. BOWLES. I would like to express my appreciation of the attitude and spirit in which the statement was made. It is very welcome. I would also like to remind you again that OPA—that I came up



here. I was not asked to come. I wrote the chairman back in August and said I thought it would be a good thing to have periodic meetings at which we could discuss these things, so that we could get the problems that you are confronted with, and you could get ours. A meeting of this sort obviously is going to lead to occasional disagreements, and those are healthy, too.

The CHAIRMAN. The committee has been a very busy committee.

Mr. BOWLES. Yes. I just wanted to make it clear that I asked to come here. This is our proposal.

The CHAIRMAN. That is true.

Mr. BOWLES. I just took some notes as you went along, Senator Capehart, on some of the things you said. First, you made a statement that many businessmen think that OPA is persecuting them. I don't see any signs of that.

Senator CAPEHART. Many of them do.

Mr. BOWLES. I think a few may.

Senator CAPEHART. I rather think it is more far reaching than you think it is Mr. Bowles.

Senator TAFT. That was the point I was trying to make. I would like to read this letter from the Canton Food Dealers Association, of Canton, Ohio:

Hon. ROBERT A. TAFT,

*Senate Office Building, Washington, D. C.*

DEAR MR. TAFT: The writer believes that there are a few operations being undertaken by the Office of Price Administration that have neither the sanction nor the blessing of the Congress or the public in general.

The purpose of the Emergency Price Control Act was to hold the line and prevent the upswing in prices of basic commodities such as food, clothing, and rent. The emphasis has always been on food from the inauguration of the program. While the other fields were supposedly under price control, they have not been emphasized. The finger in every picture, radio program, or newspaper advertisement features food and the food retailer as the sole object of price control. According to governmental figures, food prices have risen about 4 percent, clothing prices about 45 percent, and rent about 15 percent. All in all, the food dealers have done a good job with rationing and other regulations to observe.

The method of keeping prices in line in the food industry has been carried on by volunteer workers who, according to statistics, have done a good job.

In the operation of a democracy there has always been the recognition of such a thing as honest mistakes, so long as the person committing that mistake was willing to make a restitution and correct himself.

Under the present set-up each operator, innocent or not, is called in and must sign an admission of guilt and pay a fine of varying proportions as the trial commissioner sees fit. There is no "day in court" or attempt made to show, or permit it to be shown, that the mistake was innocent or deliberate. In fact, the deliberate violators are generally the ones who get away with the most and pay the least.

We as a group are sick and tired of being held up to public ridicule exclusively as the only ones in the retail industry who must be watched at all times.

In cases where price violations are deliberate and intentional, the \$50 fine paid by this type of violator is a mere drop in the bucket compared to what he has collected. But in the case of an innocent violator, one who has tried to the best of his ability to follow the law to the letter and who is guilty of an honest and an unintentional mistake, the assessment of a \$50 fine is extortion and undue hardship suffered by an innocent victim.

OPA must cease acting as a Gestapo and be operated along the principles of Americanism or its purpose can no longer be served. The Administrator's claim as exercised under the executive powers of the OPA is a vicious and an un-American practice. There is no basic concept of American constitutional law where such a privilege can exist. The only excuse for it has been created

in Fascist countries or by exigency of war. This is not a Fascist country and we are no longer at war.

It is the considered opinion of the writer that the OPA is attempting by these tactics to have so much unfinished business by June of 1946 that Congress will be forced to appropriate additional funds and extend its powers in order to wind up its affairs, which it has no intention of doing until we of our own volition outlaw such extortionists of public funds.

It is, therefore, the purpose of this letter to inform you of the practices of OPA in this vicinity, and we ask that you as our representative in Washington see that the proper steps are taken for a congressional investigation of OPA tactics, with the thought in mind that appropriation of additional funds for OPA to perpetuate itself shall not be granted. Also, as our representative, you will seek to repeal the un-American section of the act creating OPA, whereby the right of an administrator to file a claim is granted. We also beg of you to seek to inform yourself the cost of administration of OPA in the form of subsidies to manufacturers, processors, etc., in addition to the actual personnel pay roll of this agency and compare this cost of operation with the actual amount saved by the average American family.

The matters contained herein are for your careful and immediate consideration, resulting from a board of directors' meeting of this association held at the request of the membership for this association to take action against the gestapo practices of OPA and to be followed by a mass meeting of food dealers to be held this week for further considerations and actions. This is a very tense situation and may result in serious trouble.

Very truly yours,

CANTON FOOD DEALERS ASSOCIATION,  
W. R. SCHICK, *Secretary*.

Now, I am not saying they are right or wrong. I am only saying that is the psychology we seem to meet with in large groups of businessmen.

Senator CAPEHART. I have here a letter signed by a similar group in the town of North Manchester, Ind., a town of about five or six thousand. They are complaining bitterly. I don't know whether they are justified in that or not, but the fact remains that there are 150 merchants who say that you are a bad fellow. I would like to clear up with those people that you are not.

Mr. BOWLES. Well, could I comment on your statement, because you said a lot of things I would like to comment on? Some of them I agree with. Some I disagree with.

First, the statement that business generally feels that OPA persecutes them. I don't think that is true. We have just written 7,500 businessmen representing every industry in the country, asking them to write anonymously what they thought of the program. I would be delighted to have you see it. Of that group only 6 percent of 7,500—we have the tabulation here—say they think that price control should be dropped.

Senator CAPEHART. I think the great majority of the businessmen want maximum prices set. I don't think they would object to that, but I do believe that there is a big percentage of the businessmen that feel that you are not giving them a square deal.

Mr. BOWLES. Secondly, I would like to point out we get our impressions very frequently and very naturally from the people that come to Washington, and the people who come here and the people that talk to you are people with problems. They have either a real problem or a situation they imagine is a problem. You don't hear from the thousands and hundreds of thousands of people that have no problem. There are 3,000,000 businesses in the United States. You get here in Washington only those who have problems. The others do

not come here, and they don't write in to their Congressmen. Therefore I think the cross section is not an accurate one.

Senator CAPEHART. You are going to hear from every merchant in the land if you are going to continue your policy of requiring them to absorb increased costs, just as I have heard here, and I think it is going to get worse.

Mr. BOWLES. I will agree with you, I think every retailer wishes we did not have that policy, but let me point out this: Your retailers have made tremendous profits. They have absorbed some of these higher costs. The courts have told us it was our responsibility to require it. We announced it long ago and discussed it very thoroughly with Congress and in great detail.

Retail sales since VJ-day are above a year ago, which is the biggest year we ever had.

Senator TAFT. That is not true of many commodities such as electric appliances, radios, stoves, and things which were not made during the war. That is where we are getting our problem of prices on things that were not manufactured during the war period. They have made a profit on things that were manufactured and sold during the war. It is the sales that are going to come from the manufacture of refrigerators, radios, automobiles, and electric appliances, those that were not made during the war. That is where your problem comes, not on the things that remained in production.

Mr. BOWLES. In no case does OPA policy require one of those people to make less profit per unit than he made per refrigerator, or radio, or automobile, before the war. In most cases he gets more than that.

Recently I have talked to some men in those businesses, and they tell me they look forward to enormously high profits. One man told me he anticipated making under OPA ceilings at least double the profit he made in 1941, which was a very good year.

I cannot think of anything I would rather own next year than an agency handling refrigerators, washing machines, and automobiles. I cannot imagine it.

Senator TAFT. If he gets delivery.

Mr. BOWLES. Well, production on those items is running ahead of schedule.

Senator CAPEHART. Well, it says here, "New radio sets in prospect this year," according to this magazine, which is one of the best in the radio industry.

Mr. BOWLES. I think you will find quite a few radio sets in the stores at Christmas time. Last year I asked the radio industry—I am glad you brought up the radio industry—how many sets they anticipated selling the first year the war was over. They said about 4,000,000. I said, "Well, you sold 14,000,000 in 1941." They said, "Yes; but we oversold the market in 1941."

The estimates now are around 28,000,000, which is about double what they were selling in 1941.

Senator TAFT. You know, of course, that they cannot get lumber.

Mr. BOWLES. I am only saying what the industry now expects to sell. Now the reports of CED, which is a group of businessmen, show tremendously increased expectancy of production. The automobile industry expects to produce 87 percent more cars when they get rolling. Reconversion has been going ahead, based on outside authority, not mine, at a higher rate or faster than anticipated.



Senator TAFT. That is what I challenge. I think the expectation is a way below the capacity of American industry. Don't you think it is?

Mr. BOWLES. Don't challenge me, Senator. Challenge the Committee for Economic Development and the War Production Board. I am only repeating what they say.

Senator TAFT. As far as automobiles are concerned, I haven't seen any automobile manufacturer that thinks automobile production is going to amount to anything until the strike situation is over.

Mr. BOWLES. We didn't cause that, did we, Senator?

Senator MILLIKIN. It seems to me, Mr. Bowles, that it comes down to a dilemma in your business. You either have to choose doing what the Senator from Indiana suggests, giving individual attention to every business in the country, which, God forbid, would make it necessary for you to multiply your organization about five times—

Mr. BOWLES. That is right. It would be impossible.

Senator MILLIKIN. And would introduce into every business the thing that business is complaining about, in the most exaggerated form. You are trying now to run individual business by over-all statistics. You cannot run every individual business on over-all statistics.

What you are trying to do is to escape those two dilemmas.

Mr. BOWLES. We have given 120,000 individual adjustments in the last 6 or 8 months. We have given over 400,000 on rent cases and 120,000 on prices. I think you must understand our policy. Any firm under \$200,000 volume, which is two-thirds of all your reconversion industry in the country, have practically automatic prices. They do not have to come near the OPA.

Senator MILLIKIN. They have to use your formula for the industry?

Mr. BOWLES. That is right, but they set their own costs and their own wages. They send it to us; and if we don't tell them not to go ahead in 20 days, that is their price. They don't come near us. That is the kind of procedure we have used.

Senator MILLIKIN. Obviously, that is an average of above and below the line. When you apply generalities arrived at from general statistics, I say that is one of your dilemmas. It puts individual businesses either excessively over or excessively below the line. That is one of your dilemmas. The other is to accept the proposition from the Senator here and give every business individual consideration. That is the other one.

Now you say you are coming in between. You are applying a general average and giving adjustments in particular cases.

Mr. BOWLES. That is right.

Senator MILLIKIN. That is your solution.

Mr. BOWLES. But the smaller firms do not have to come to us for that. They have their own costs that they figure themselves, on those small items.

Senator MILLIKIN. Well, you were referring back to what you did in 1936 and 1939. You cannot run a business today on what you did in 1936 to 1939, an individual business.

Mr. BOWLES. Somebody is wrong because your authorities on production say we have less unemployment than we anticipated, that we have better production, it is going up faster than we anticipated.

The stock market is going up at a terrific clip. There are only two possible reasons why the stock market is going up. One is the country has decided inflation controls are not going to succeed; or they have decided that American business is going to be terrifically profitable in 1946.

Senator TAFT. May I suggest a third reason?

That is, that there is three times as much money to invest as there are things to invest in. The stock market is going up because of the law of supply and demand. That is the only reason, I think.

Mr. BOWLES. Why didn't it go up last year? The money existed then. The rise in the stock market started on VJ-day and the money existed before then.

Senator TAFT. Before that the whole effort was to save money. The whole thing was to save money and invest it in Government bonds. That was the patriotic thing to do. Now you have a free market for investment. You have funds to invest that are probably three times the amount of places to invest them.

Of course, it is forcing it up. Why have houses gone up? For the same reason.

Mr. BOWLES. And incidentally I think it is a highly dangerous condition. Somebody ought to do something about it.

Senator TAFT. I am not questioning that, but the housing situation shows that we have an inflationary situation resulting from the tremendous amount of money on hand, not because anybody anticipates particular profits, big or small.

Mr. BOWLES. All right. Fine. Every Government agency that has looked at this profit situation anticipates that next year, after taxes, profit will be the biggest America has ever had; bigger than the war years, after taxes, and the taxes will still be very heavy.

Senator CAPEHART. I think that will be true if everyone gets into production and there are no strings—

Mr. BOWLES. But they are getting into production.

Senator CAPEHART. I question that. My impression is that the Treasury estimates are very much under.

Mr. BOWLES. They expect about \$11,000,000,000 profits next year after taxes.

Senator MILLIKIN. Let us assume that is true; that does not solve individual cases.

Mr. BOWLES. No, Senator, but individual cases have always been individual cases. Twenty-five percent of all the goods in this country were sold at a loss before the war and almost half of the business firms in the United States were operating at a loss.

Today, according to OPA regulations, there is no firm that should be operating at a loss.

Senator TAFT. Wait a minute. That statement is not so. Take the shoe companies, which I talked to you about. They have to make shoes at a loss because they have a profit somewhere else in some other business.

Mr. BOWLES. No business need operate at a loss under our general rescue clause. No matter how high its costs may be or how inefficient its management may be, we take its costs as they are, and give it a price that covers them fully.

American industry, to my knowledge, has never had any such guaranty as that before.

Senator TAFT. It is not a guaranty, Mr. Bowles. They have to sell those goods. You don't guarantee them anything. You just say you cannot sell over a certain price. That is all you say.

Mr. BOWLES. But it is a price calculated to break them even. Let me give you an example—

Senator TAFT. You said there was a guaranty, and I was taking exception to that.

Mr. BOWLES. There are certain sections of the country that developed industries during the war which are high-cost industries and inefficient. Their labor costs are high; material costs are high; transportation is high. We have given those people prices that I frankly don't think they are going to get in a free market. I just think competition will make it impossible for them to operate.

Senator CAPEHART. Mr. Chairman, may I ask a question?

The CHAIRMAN. Well, I suggest that whenever the witness is answering a question, he ought to be permitted to finish before he is interrupted. Had you finished?

Mr. BOWLES. Well, I would like to say one more thing. I have heard it said that OPA slows up production. It is not a new question. I have heard it for 3 years. In the last war you had no effective price control. Production increased 25 percent while prices increased 88 percent. In this war industrial prices have gone up 21 percent since 1939, while industrial production has gone up 116 percent. If you look at the two graphs they are exactly opposite. In World War I prices soared, and industrial production went up only a little bit. In World War II production soared but prices stayed relatively stable. Certainly the charge of production being held up by price control does not hold up under that record. I see no record of it anywhere, in any statistics. I don't say there are not individual cases, although I would like to have those brought to my attention.

Senator MILLIKIN. With reference to these cards which were sent out with allotment checks, does the law make the military any part of your enforcement system.

Mr. BOWLES. Oh, no.

Senator MILLIKIN. Is it your understanding that the military has any political or economic functions?

Mr. BOWLES. No.

Senator MILLIKIN. May I suggest, Mr. Bowles, when you ask salesmanship of the military you are doing a thing which concerns itself with a civilian policy and you are doing a very wrong thing. By the same token, if you say we are justified because this is a good thing, you could insert Senate beer ads, if you thought that was a good thing.

Mr. BOWLES. There is a statute on the books that has been examined five times and has been continued. It says that inflation is something we want to avoid.

Senator MILLIKIN. It doesn't tell you to send out propaganda or advertisements in military envelopes any more than it does beer advertisements.

Mr. BOWLES. There is quite a lot of difference in your beer advertisements.

Senator MILLIKIN. The beer advertisement refers to small-bubble carbonation and that is what your throwaways come down to.



Mr. BOWLES. Small-bubble carbonation has not been established by law. Maybe it should be. I don't know anything about beer. I don't drink it.

Senator MURDOCK. Mr. Chairman, I would like to ask the witness a question on this guaranty. I think what you meant there, Mr. Bowles, was that so far as prices fixed by the OPA, so far as that price has anything to do with profits, that they are guaranteed against a loss, but you cannot guarantee that they can get the maximum price?

Mr. BOWLES. That is correct.

Senator MURDOCK. The maximum price that is fixed by OPA. So, in a sense, it is a guaranty as against the actions of OPA, is it not?

Mr. BOWLES. A guaranty that OPA will not stand in the way of production with its price. I would like to see some authentic cases of where OPA has stood in the way of production. If that be the case, I would like to see some authentic ones.

Senator HICKENLOOPER. I can give you six that occur to me right now.

Mr. BOWLES. Fine. That is what I would like to get.

Senator HICKENLOOPER. I can give you at least six manufacturing establishment in my home State that have been down here repeatedly. One of them I know has made three trips down here. The last time he just threw up his hands in disgust and said, "I am going back and sit down until we can operate with an assurance of profit."

He said, "We can get no release at OPA."

Mr. BOWLES. He is not producing?

Senator HICKENLOOPER. He is producing a little stuff, but he said, "The more I produce, the more money I lose. It is cheaper not to produce." He is a small farm equipment manufacturer.

The CHAIRMAN. What member of OPA did he speak to?

Senator HICKENLOOPER. Oh, I don't know. He made three trips down here for consultation.

The CHAIRMAN. Did he talk to Mr. Bowles?

Senator HICKENLOOPER. Well—

Mr. BOWLES. I didn't see him. I will look into it. It is a farm equipment plant?

Senator HICKENLOOPER. Yes.

Mr. BOWLES. One of the six said they are not going ahead?

Senator HICKENLOOPER. No. I say that is one. I know at least five others. I know a corporation that was engaged in war contracts exclusively which has just abandoned their business. It was converted completely to production of certain war materials. Just before VJ-day he got notice of cut-backs and eventually complete cancellation about VJ-day. They make a very important product. They didn't make a lot of money out of their war contracts. They didn't really make as much profit in dollars out of their war products as they were making consistently out of their product over a period of years. They didn't have a reserve because of certain expenditures they made 10 years ago; they are trying to pay them off, and their reserves are not very good. They are unable to go back into their own business today because of the prices they have to sell their products. That is one that has not started.

Mr. BOWLES. I would like to look at this personally.

Senator HICKENLOOPER. I said a moment ago, six. Those are two, and I can think of three others. Maybe I misstated myself as to one, but these specific ones occur to me that are either producing a very small fraction of their potential or not producing at all. I know of one factory that had plans for the last 2 or 3 years—it has been doing war work—it had its plans to double the size of its factory which would mean, of course, increased employment and increased output. The last word I had from them 3 weeks ago was that they had canceled all plans for doubling the size of their factory, because the prices at which they were permitted to sell their product, even though they were given a slight increase, were not sufficient to cover their costs. In spite of the fact they had a sworn statement with OPA breaking their costs completely down, they were told they would have to absorb it. They are just not going ahead. They are making some of their products. They are not completely shut down.

I would like to say one other thing in support of what Senator Capehart said a few minutes ago about the attitude of business; about the question that business generally is not very approving of OPA policy. I shall not burden the committee with all these details, but in this envelope here I have 495 letters from small businessmen representing an inquiry by one wholesale establishment in my State that I asked specifically to merely write a letter and state their attitude of what they thought OPA was doing, and whether it was doing a good service. There are 495 replies that are not complimentary to OPA policy toward the operation of their business. That is just the customers of one wholesaler.

Mr. BOWLES. The retailers do not like retail absorption. I think you will find them almost unanimously in disapproval of it. Most of them would like to have a stated margin covering their differences in costs.

Senator HICKENLOOPER. That is very true, but I merely make that statement to offset the statement that business is generally very favorable to the administration by OPA as it is now conducted. I want to say further, I think it is essential we keep OPA controls on scarce commodities until such period as a balance is reached. I have never advocated the abolition of OPA.

I think most of the Members of Congress have never advocated it up until now. I do object very seriously and very violently to the administrative policies of OPA. I think the whole thing should be corrected in the administrative activities of OPA without making changes in the law, but let me give you an example.

Last spring, as we all recall, the meat situation was quite tight. We had some hearings here in which we went into the meat situation and Senator Thomas filed an amendment in the Senate that was very bitterly opposed by at least enough people that it was defeated, but at that time while the Thomas amendment was pending we had a number of meetings and you wrote this letter.

Mr. BOWLES. I know the letter by heart.

Senator HICKENLOOPER. You said—I think this is correct—it is alleged to be—you addressed this letter to Senator Thomas and Senator McKellar:

You have asked for a statement of the policy which the Office of Price Administration will follow in pricing the products of the various species of livestock.

Recognizing the critical shortage of meat and the imperative need of avoiding any impediment to maximum production and even distribution, this Office, in addition to satisfying all the various mandatory requirements of the present law, will see that the products of each of the three main groups of livestock—cattle and calves, hogs, and lambs and sheep—are each separately considered on a profitable basis.

To the fullest practicable extent the office will see that each of these groups of products is separately profitable at all times, regardless of live animal prices. It will at all events see that each group is separately profitable on an annual basis.

I have discussed this letter with Judge Vinson and Mr. Davis and they authorize me to say they concur in it.

Now, that was a letter you wrote at the time the opposition was so tremendous to the Thomas amendment.

Mr. BOWLES. That will be completely carried out.

Senator HICKENLOOPER. Later Senator Barkley filed an amendment that was adopted and it defeated the Thomas amendment.

Mr. BOWLES. Right.

Senator HICKENLOOPER. That amendment said:

It is provided further that on and after the enactment of this proviso no maximum prices shall be maintained on products resulting from the processing of cattle, calves, hogs, lambs, and sheep, the processing of each species being separately considered, which taken together do not allow for a reasonable margin of profit to the processing industry.

Further, Senator Barkley stated on the floor when he introduced this amendment, he said:

Mr. President, a member of the Senate has said, "Why cannot that be integrated into the law? Why, instead of having a letter from Mr. Bowles saying he is going to do this, cannot we have it written into the law?"

Then Senator Barkley said:

I have undertaken to do that by means of a substitute which I now send to the desk and ask to have read. I offer it as a substitute for the amendment offered by the Senator from Oklahoma.

In other words, the whole condition in your whole statement at that time was that OPA was going to establish and follow that policy.

Mr. BOWLES. That is correct.

Senator HICKENLOOPER. That was last May.

Mr. BOWLES. That is right.

Senator HICKENLOOPER. It has not even approached the carrying out of the mandate in the Barkley amendment, has it?

Mr. BOWLES. That is where I have to disagree with you. We are now—we have completed the study. The fiscal year of these firms ends on October 31—or maybe it is October 27. We have the study completed and we will make adjustment retroactive to July 1, which is the only way you can do it. You have to find out what happened and then go back in order to carry it out. That will be done by the end of the fiscal year which is next week.

Senator TAFT. What do you adjust? I don't quite understand you.

Mr. BOWLES. We adjust the subsidies to carry out the law.

Senator TAFT. To the packers?

Mr. BOWLES. That is right. That will be done, Senator, probably in the next 2 or 3 days. That will be carried out. Don't worry about that.

Senator HICKENLOOPER. Well, the evidence has been in the hands of the OPA, as I understand it, for literally months.



Mr. BOWLES. No, it has not. It just goes back to July 1. I don't know when the last figures were in.

Senator HICKENLOOPER. I am becoming thoroughly familiar—  
Mr. BOWLES. The figures were completed yesterday, Mr. Ney said.

Senator HICKENLOOPER. I am becoming thoroughly familiar with the practice of OPA in sending for figures, studying them, and then sending for more figures and more study. It results, in my opinion, in delays that are discouraging.

Mr. BOWLES. This was retroactive to July 1. We are guilty of careful investigation in taking care of the taxpayer's money. I may be wrong. Adjustments will be retroactive.

Senator HICKENLOOPER. I don't care to get into the legality of it, but I think that method is contrary to law and I doubt very much its legality.

Senator MURDOCK. What other way, Senator, could it be done?

Senator HICKENLOOPER. Well, I think the evidence has been in the OPA. I was using this meat as an illustration because it is probably the most illuminating situation.

Senator MURDOCK. And it probably has had more attention.

Senator HICKENLOOPER. Well, I mean the figures are perhaps more clearly available. I think you can get them. Most of these people have accountants that keep their books. The OPA and the industry has known with minute definitiveness over a year and a half exactly what these figures are. The Department of Agriculture keeps a weekly check on these things.

Mr. BOWLES. On the profits?

Senator HICKENLOOPER. No, not on each individual profit, but on industry profits, on the price the packers pay.

Senator TAFT. I always claimed you could do that by rule of thumb determination every day, whether they make money or don't make money.

Mr. BOWLES. I disagree. I think it is a very hard thing to get at. We have got figures; we are sitting down with the Industry Advisory Committee before we make an announcement in the next couple of days. We are talking over what action we expect to take. Whatever we do will be retroactive to July 1. I cannot see how anybody has lost anything. We have waited until the figures were all in and then made our decision retroactive.

Senator HICKENLOOPER. If you do that, perhaps no one has lost anything.

Mr. BOWLES. I don't see how they have.

Senator TAFT. Does each fellow get a different subsidy?

Mr. BOWLES. In some instances.

Senator HICKENLOOPER. It was my understanding there was an agreement it would be done before the 1st of October.

Mr. BOWLES. No. Done by the end of their fiscal year, which is the 31st or the 27th, whichever it is. If it is the 27th we will meet that day.

Senator HICKENLOOPER. Well, if that is done, that situation is all right, then.

Senator MURDOCK. May I ask this: I was very much interested in your statement that in your opinion OPA has not even approached the carrying out of the mandate of Congress. Now, after the explanation of Mr. Bowles, as I understand, you now say if it is car-

ried out retroactively, that they probably have lived up to even the letter of the law?

Senator HICKENLOOPER. If, as, and when they do it they will then have come within the directive of Congress. However, I will say this to the Senator, that there have been most mysterious delays all this summer when the figures, I am sure, have been completely available, that have raised doubts in the minds of a lot of people as to whether they were not trying to avoid doing this.

Senator MURDOCK. I will say this: In the minds of some Senators I don't believe OPA can do anything that is not mysterious. But it seems to me it is just a little unfair to accuse an administrative agency of not even approaching the carrying out of a law, without having some plan of procedure or some program which could be substituted for the way they are doing it, and I haven't heard the Senator advance any.

Senator TAFT. Oh, they could have paid the subsidies in advance, if they wanted to.

Senator MURDOCK. I would like to confine my remarks to the Senator from Iowa, if the Senator from Ohio will allow me to. He has thrown me off the track, as he usually does. But I don't think it is fair to make an accusation such as the Senator from Iowa made without being able to substitute a better plan or program under which the law could be carried out, and I don't think the Senator has any.

Senator HICKENLOOPER. Let me suggest—this one important statement I think is true—that maybe I should not have used the word “approached,” because I just found out now they are approaching it, but my statement is still true that up until now they have not carried out what my understanding was and, apparently, Senator Barkley's understanding, and apparently the statement in Mr. Bowles' letter of last spring required them to do.

Senator MURDOCK. It seems to be Mr. Bowles' understanding. There doesn't seem to be any misunderstanding as to what the law directed him to do.

Mr. BOWLES. I think the law is very clear. Could I make one comment? I have been accused of a great many things. One of them is being illegal. We are often accused of that. Rarely a day goes by in which we are not accused of it four or five times.

The Emergency Court of Appeals set up by Congress hears all these OPA cases on legality. I think I am correct in saying we have lost 10 cases before that court. Some of the cases we lost were only partial losses. They disagreed with us on some things and on others they agreed. There have been something like 160 cases before the court in the last 3 years. I would say that our record of being legal is about as high as any you will find in the Government—extremely high. Everyone who thinks we are illegal has a right to take his case to court. People took cases to court 160 times and we were only wrong, or partially wrong, in less than 10 of those. I think that is an enviable record for any Government administrative agency.

Senator TAFT. I would say, as far as that is concerned, in these courts of appeal, the administrative agencies are nearly always upheld. The courts uphold almost anything under Supreme Court opinions. It is almost impossible to win a case against an administrative agency. I would say that the great record of administrative agencies in having

their appeals upheld means nothing. I heard an appeal from the National Labor Board in which all the courts agreed that things were outrageous, but they were not going to be reversed by the Supreme Court.

Mr. BOWLES. That is a charge against the courts of this country; not against the OPA.

Senator TAFT. No. It is a statement that under the present status of administrative law the fact that a court does not overrule an administrative agency is no evidence it is not entirely wrong.

Mr. BOWLES. Then your courts are not wholly right in their interpretation of the law.

Senator TAFT. No, no. The courts are not permitted to look into the facts.

Senator MURDOCK. Who is responsible for the law? That is Congress, isn't it?

Senator TAFT. Sure.

Senator MURDOCK. Then it seems to me your criticisms should be directed more to the Senate, where all wisdom, all fairness, and all rightness, according to the Senator, is resident in the United States Senate.

Senator TAFT. No; my point is the fact that the courts have not overruled Mr. Bowles is not very important when it comes to a question of the wisdom or fairness of his administration.

Senator MURDOCK. Sure. If the laws are wrong, certainly there is no remedy except here in the Congress. What we want to do is to pass a law and then every complaint that is made we say, "Oh, it is not the form of the law, it is this bureaucratic administration. We passed a good law, but he has ruined it," that is all right, but I say there is a whole lot, in my opinion, that may be attributed to the law rather than the administration of it, and if that is so, then the remedy is in our hands.

Mr. BOWLES. There have been 14 cases before the Supreme Court—13 or 14. We have lost one.

Senator TAFT. The same argument applies there. It is no evidence at all that you are right, in my opinion.

Mr. BOWLES. Well, I would just as soon be on the same side as the Supreme Court.

Senator HICKENLOOPER. May I address the question to the Senator from Utah?

The CHAIRMAN. Yes.

Senator HICKENLOOPER. Do you think it was the intention of Congress when they set up the price-control law to legislate that people doing business could be forced to do business at a loss?

Senator MURDOCK. No; I don't think that Congress ever intended that.

Senator HICKENLOOPER. All right. The OPA policies have done that in a vast number of cases.

Senator MURDOCK. No; the law says that the prices shall be generally fair and equitable. That law has been construed by the courts, but as I said a moment ago, whenever there is any complaint Congress is rather prone to sit back and say, "We passed a good law but the bureaucrats ruined it." I say that is a poor excuse for a legislature.

Senator HICKENLOOPER. It goes back to my criticism of the administration. I say when OPA administers a law so that with their power



they force a business or a manufacturer or a retailer to do business at a loss because of the power of the Government to control prices, that is not fair, equitable, or proper administration of the law passed by Congress.

Senator MURDOCK. I admit the Senator's statement is right, but I say, having before this committee the statement of the Senator, that all the evidence that has been brought in here in the way of charts, figures, and statistics, and the evidence that has been presented to the courts rather sustains the position that the OPA has lawfully administered the law that we placed in their hands.

Senator HICKENLOOPER. Well, so far as the proper administration of the law is concerned, here are some charts. I assume these are correct. I don't know. It says they are prepared by the OPA, Retail Reconversion Pricing Committee, by Jules Backman, of New York University School of Commerce. Perhaps all of you got these charts. They are very interesting. I cannot verify them other than what it says.

On what is happening to our industry, the statement is made here that in 1945 OPA has practically refused to permit increases in manufacturers' prices to become a basis for higher retail prices. Thus, out of 54 general increases granted by OPA to manufacturers, 45 for articles sold in retail trade, there were 51 in which retailers were given no increase at all in prices at which they were required to sell these products.

In one instance they received permission to add to their maximum price the dollar amount of the purchase cost increase. In another part of this the committee noted that no absorption was required at all in only 1 one of these 54 cases. Now that gives some charts by way of illustration as to what is happening in the price policy of the country.

In men's overalls they give a certain price; in the fall of 1941 the cost of that garment was 90 cents. The selling price was \$1.19, 29-cent mark-up. In the spring of 1944 the price—the wholesale price of that same garment was \$1.42 and the mark-up was \$1.55, or 13 cents profit.

In boys' overalls about the same spread. 61 cents, with 89 cents sales price in 1941, and \$1.04 cost as compared to \$1.19 sales price, a difference of 15 cents in 1944 as against 28 cents in 1941.

Turkish towels about the same thing. The cost price has gone up but the profit in dollars has shrunk about 50 percent. In other words, about half as much in dollar profits per garment as in 1941.

Mr. BOWLES. Senator, does it say anything about the profits those retailers made during the war? Some of them have made 400 to 500 percent profit after taxes.

Senator TARR. You are talking about averages. There are many that didn't have that. Of course, the big department stores made an awful lot.

Mr. BOWLES. Big and little department stores made a killing during the war.

Senator HICKENLOOPER. One other chart is here on bed sheets. In 1941 a certain size of bed sheets, 64 count, 81 inches by 99, cost 83 cents and it sold for \$1.19, 35.9 cents mark-up, practically 40 cents.

In August 1945 that same bed sheet had a basic cost according to this chart of \$1.14, plus a 9-cent increase in the wholesale cost, be-

cause of what they call open billing, and that would make \$1.28. The retail price of that sheet as fixed by OPA, according to this, was \$1.29, making a 6-cent profit on that sheet in 1945 as compared to a 40-cent profit in 1941.

Now there are charts here—

Mr. BOWLES. They have no chart on the profits of the retailers.

Senator HICKENLOOPER. Well, there are some charts in here—

Mr. BOWLES. I doubt you will find those charts in the back.

Senator HICKENLOOPER. I thought there was a chart here.

Senator MURDOCK. I know in my own home town, which has had no war plants or anything else, that the merchants in the town have done extremely well. You find them nearly all building new homes and buying farms, indicating to me that they have made much more profits under OPA than there has ever been in their history.

Senator HICKENLOOPER. Where do they get the lumber for these new homes?

Senator MURDOCK. They are evidently getting it. There was never such a building spree in the history of my home town.

Senator CAPEHART. May I ask three short questions?

Mr. Bowles, I would like to see if you will agree with me on this. I will take the radio. I could take others, but I will take the radio industry. Don't you feel if the radio industry were given a 10-percent increase it would make manufacturers anxious to produce? That in not less than 12 months, and possibly less than 12 months, there would be so many radio sets that the law of supply and demand would reduce the price of radio sets even below what they are now?

Mr. BOWLES. I think you have tremendous production ability in that industry, so big we aren't going to know, hardly, what to do with it.

Senator CAPEHART. Don't you agree, too, that at the moment that particular industry, the whole industry, those making the parts and all, are more or less dissatisfied and they are not producing? I won't say they are lying down on the job, but they are simply very unhappy. They feel they are not getting what they think is a fair deal. Do you think that if you would do that that you could eliminate your office much more quickly and permit these radio manufacturers to raise wages and do other things and still have—you would still be controlling prices because no one could sell above that, but it would be a price that the entire industry and everyone else thought was fair and would raise wages as a result of that, and don't you think that within 6 months, or a year, that the law of supply and demand would regulate the price, and don't you believe that is very much true of all these manufacturers and processors and that maybe if we approached it from that standpoint that we might be better off?

Mr. BOWLES. Well, Senator, let me talk about radios a little bit. You are very familiar with that industry. It is quite different from other industries because in radio there was before the war I believe about \$300,000,000 invested. During the war it has gone close to \$4,000,000,000. A lot of people have gone into radio that are high-cost producers. They never have made civilian sets and don't know how to make them.

Senator CAPEHART. That is right.

Mr. BOWLES. They were very willing to get into the business so that they could learn how to make radios. A lot of these more established firms in the business were not interested in that.

Senator CAPEHART. I am not talking about high-priced radios.

Mr. BOWLES. Let me tell you, first of all, we would like always if we can to release parts from price control. We have done that in the automobile industry. We have taken off all parts—

Senator TAFT. You held up an increase in radio parts for 6 months after application was granted; isn't that true?

Mr. BOWLES. That is absolutely cockeyed.

Senator TAFT. Well, I talked to the radio people. They said, "We cannot get any parts, because the manufacturers won't make them under the present set-up."

Mr. BOWLES. Let me finish this. First of all, we have given out increases of from 6 to 10 percent in radio parts. Now, the radio business was not ready to move ahead into peacetime production until this summer. It was VJ-day before they would make any plans. We sent out a questionnaire to them in the month of July. We got practically no answers. We wired the industry on the 3d day of August and we got practically no answers to that. We then went and telephoned many members of the industry. We took it up with the industry advisory committee. We got no returns from that. We then sent more wires. Finally in desperation we sent out our own accountants. We had to go out and get those cost figures ourselves. If we didn't get them we had to set the price anyway; the best price we could.

The industry completely laid down on that job and didn't get their cost figures in.

Senator TAFT. Of course, their story is entirely different. I don't know who is right. I just say their story is entirely different.

The CHAIRMAN. I think we ought to permit Mr. Bowles to finish his answer. It is unfair to keep breaking in on his answer.

Mr. BOWLES. That is a factual statement. I can give you the dates of the wires all the way through. The man who was kicking the hardest about it didn't get his figures in until the last day, and then only because I called him personally on the telephone and asked him for them.

Senator MILLIKIN. Mr. Bowles, when you receive an answer to inquiries of that kind, is the individual answer kept confidential?

Mr. BOWLES. Yes.

Senator MILLIKIN. Do you exercise supervision over that?

Mr. BOWLES. I know of no instance where that confidence has been violated. Out of all the vast material we have handled I am glad to say I know of no case where it has been violated.

Senator MILLIKIN. Just one other question. Are you considering taking the ceiling off of commercial grade cattle?

Mr. BOWLES. No.

Senator CAPEHART. I would like to call the manufacturers in here and have them tell you what they are telling me.

Mr. BOWLES. I would like to get documentary evidence on those cases. As far as the rest of your question is concerned, Senator Capehart, I think the radio industry is going to be so competitive that within a year I will be very surprised if any price control is required on radios. I heartily agree with that.

But let me point out this: This is exactly the kind of situation where people come in and because they want higher prices they talk and talk



and completely upset a lot of people. The facts on our attempts to get costs from these people are all in documentary form—you cannot question them. Yet they tell many people OPA is holding up production.

Senator TAFT. Do you think they are lying?

Mr. BOWLES. I think they are giving a false impression.

Senator TAFT. This was a radio manufacturer I ran into in Cincinnati purely by chance. He told me the story on his own, without my asking anything about it.

Mr. BOWLES. He may not have had his figures in.

Senator TAFT. He was a manufacturer of radios. He was not complaining about the price of radios, but the fact that parts prices had been held down so that he could not buy any parts. It was merely a casual conversation.

Mr. BOWLES. It was impossible for us to get figures from parts manufacturers. We had to send our own men into those firms. It was the parts manufacturers that held it up, not the manufacturers of radios.

Now, Mr. Chairman, with your permission I would like to have Mr. Ney discuss this matter of retail absorption. Mr. Ney is in private life a retailer and he has been in retailing all his life, outside of his term as a bureaucrat, which he became at some sacrifice to himself personally.

The CHAIRMAN. Yes. I know him.

Mr. BOWLES. I thought you might be interested in his views as a retailer who plans to go back to the operation of his own stores just as rapidly as he can do it. He is a man who is thoroughly experienced and familiar with this subject.

The CHAIRMAN. Yes. We would be very glad to hear from him.

Will you tell us where your business is and the extent of it?

#### STATEMENT OF JEROME NEY, OFFICE OF PRICE ADMINISTRATION

Mr. NEY. As Mr. Bowles said, I have been a retailer for 22 years. I personally own three stores in the South, located in the States of Arkansas and Texas.

In addition to that I am affiliated with other retail companies around the country. The majority of my business experience has been in the retail trade. I am on the boards of directors of several other companies in other industries.

In my stores we handle general department store merchandise. I have been with OPA about 3½ years, and at present am Deputy Administrator for Price.

I think it is a matter of record that we retailers, and I still consider myself a retailer because I live off the profits of retail business, have done very well under price control. I think it is incontrovertible that some retailers are selling some items at a profit that is not in line with the majority of the items in their businesses. The figures which the Senator from Iowa commented on, if I remember correctly, represented the operation of one individual chain in this country, a rather large chain. I would say that by and large retailers have made a larger profit on bedsheets during the war than they ever did prior to the war—by and large. There are exceptions.

I might add that bedsheets have never been a particularly profitable item in retail stores. It is what is called a "leader." It is an item which many customers use to gage how you are regarding prices in the rest of your store. All of us have always sold bedsheets at very low prices. I am talking about the muslin bedsheet rather than the de luxe bedsheet like percale, which accounts for only a small percentage of the business.

Let us talk about the total operation and the basic policies rather than the individual item. Retail business has been very profitable, and I would like to say my own has been for several reasons. First of all, high consumer demand, due to large increase in wages and the inability of many consumers to spend their money in ways that they formerly spent it before the war. That has caused an almost miraculous increase in retail sales.

I hesitate to quote figures without having the figures in front of me, but I think it is safe to say that on the average retail department sales throughout the country in the year 1945 will be approximately double what they were in 1939.

The CHAIRMAN. Do you mean in volume or money?

Mr. NEY. In dollar sales or turn-over, in dollar volume. That great increase in business has been coupled with the discontinuance of many services caused by wartime shortages and Government regulations, which have sent the percentage cost of business down to the very lowest figure any of us ever dreamed it would ever go to.

I believe that the National Retail Dry Goods Association say that the average cost of business of the typical department store in the \$2,000,000 class in relation to annual sales, for 1944, is about 27½ percent of sales. That compares with an average for the same type of concern in 1939 of probably 33 percent. Bear with me if I am in error; I can correct it for the record.

When we make twice the sales and because of that great increase in sales percentage our costs go down, our profits go up sharply. Another very important factor is that because of the huge demand for merchandise, we retailers have been able to sell a greater share of our goods at the asking price than we did in the past, when in the ordinary course of business we had to take mark-downs. There was a certain share of our goods that the customer didn't want. We had to sell that at a reduced price. That could be 2 percent below our original price or it could be below cost. Frankly, we didn't care so long as on the average the realized margin was sufficiently above our expenses to give us a profit.

Now, increased sales and decreased mark-downs have given the result of showing very large profits before taxes. As my retailer friends always say, it is before taxes.

Senator HICKENLOOPER. Mr. Chairman, may I interpose a question there?

The CHAIRMAN. Very well.

Senator HICKENLOOPER. I wanted to ask you something about the decreased cost of merchandising at the present time. It is true it has increased, but isn't it also true that if the average merchant could, he would have employed 50 percent more help than he has been able to get, and he would have had greater costs had he been able to get

help. Now, isn't he in the position where he has to have more clerks to work and his costs are bound to go up?

Mr. NEY. I hesitate to use the figure of 50 percent, but I think it is fair to say had there been an unlimited supply of labor all of us would have had a very much better staff than we did.

Senator HICKENLOOPER. Doesn't this Backman report indicate also that at this time, and perhaps for a continuing period, the retailers are going to have to go into this mark-down situation in order to rid themselves of a lot of wartime stock that is cheaper merchandise, or emergency merchandise, so to speak? They are going to sell it at half price, or quarter price, and take a very substantial loss on that in order to get rid of it.

Mr. NEY. I think that fear has been somewhat dissipated by the fact that the shortage of merchandise has persisted longer than most of us thought it would. I would say that the average retail store has in stock today no more than 72 days' sales. Now 72 days' sales is not too much stock. To put it in a reverse way, the turn-over has increased far in excess of past performance and it is reasonable to expect that the proportion of mark-downs will not be bad. The time is going to come when present-day merchandise will not sell at present-day prices. There is no question about it. Good merchants have at the end of each year attempted to rid their stock of the ersatz or undesirable goods.

Senator TART. Isn't this whole controversy a question of degree? After all, I have no criticism of the OPA for requiring some cost absorption. It is almost impossible to determine the exact figure. My feeling has been that they try to hold it too tight. That has been my principal criticism.

Mr. NEY. I think your statement is absolutely correct. I think it has been a lot of to-do about nothing. I talked to the president of one of the largest concerns in the country the other day. I said, "With all this to-do about cost absorption, I look at my figures, which I get around to about once in every 3 months, and I cannot find where our mark-up has been reduced more than a fraction." He said, "That is right. It is just a question of degree. What the retailer really fears, in my opinion," he said, "is that it will spread to the point where ultimately it will have a significant effect on his business."

I want to say that the record will show, and I am speaking now of the record which shows performance of retail stores, that the 74 cases which Dr. Backman points out in his brief sound imposing. Actually it is not, and the best evidence is to look at the published figures of retail margins. When retail margins diminish, when absorption cases increase, when volume goes down, when goods get more plentiful, when expenses continue to increase as services are put back, when merchandise declines in value, when all those things happen it is possible that a retailer might be able to say, "I think the policy is too strict." I might say that price control will be out before all those factors happen. I think it is a question of principle rather than one of fact.

If I spent all my time in the retail business and I had a lot of time, I suppose maybe I could come down and attack some other principle. I don't think there is anything our agency would rather stand on than the absorption policy we have developed for retailers.

Senator TART. The principal thing that I don't quite like—maybe I am mistaken—is the determination of price administration not to



increase the retail price regardless of the case, so that if you have to grant a manufacturer 10 percent you say the retailer must absorb it.

Mr. NEY. Oh, no. May I read from page 10 of Mr. Bowles' statement?

Senator TAFT. I think the whole question is one of degree. These controls have to be imposed. My only criticism has been that the OPA has felt it was more important to maintain a general retail level of everything than it was to get production. I think it is necessary to be more liberal than OPA has been, in order to get production. My criticism is not one of principle, but one of degree. My impression—I may be wrong—we could determine that perhaps, if Senator Capehart's resolution went through and we really tried to study the figures—my impression has been that you are too tight on it and that your present policy is choking production, particularly when you add to it this principle that the Government seems to be about to adopt, that we can have a general increase in wages without an increase in prices.

Mr. BOWLES. Isn't it true that your average margin as it is today has shown no significant change?

Mr. NEY. There is no question about it. Senator Taft made a very interesting observation which I would like to answer. I don't think there is any reason why retail margins could possibly impede production. Let us speak of a staple item like bedsheets. I think we have to admit that unless the manufacturers of bedsheets are able to make a profit on the production of bedsheets that there isn't going to be very much production of bedsheets. Let us assume for the purpose of this discussion that the conditions in the manufacturing of bedsheets are such that manufacturers of bedsheets will continue to produce within the limits of the material available all the bedsheets they can produce.

Now comes the question what do we do with the retail price. We have a product standard which provides that retailers generally will not be required to sell at a price that is below their average cost of doing business on that item or in that department. In a large store we usually take the department rather than the item. In the small store it would be in the whole store.

Let us assume we made an error, which is a pretty safe assumption in some cases, and let us say that the price we set was a squeeze price, below the average cost of doing business to the average store. Let us exclude the fact from the discussion that we would be in violation of our own standards. Let us just use it as an assumption. Now can we possibly believe that the production of one sheet would be curtailed because the retailers had to sell it at less mark-up?

Senator TAFT. You are speaking in terms of a general department store. There are thousands of products that are only sold if somebody goes out and sells them to customers, and you don't make it profitable to sell them. You don't get any sale on that product. I am not talking about the general store product, but the general policy of squeezing margins down on wholesalers and retailers has the same effect as a squeeze on manufacturers.

Mr. BOWLES. Do you mean washing machines and products in that group?

Senator TAFT. No; hundreds and hundreds of products have to be sold. Why are the new magazines full of advertisements?

Mr. BOWLES. We have two different standards, one for general stores and one for—

Senator TAFT. Even Macy's isn't going to advertise anything if they are not going to make any money on it.

Mr. NEY. Oh, they have, all their lives.

Senator TAFT. Well, that is because it is a leader, but if it is an ordinary item, they are not much interested in selling it if they cannot make any money.

Senator CAPEHART. I am inclined to agree with you on department stores, but I wonder if you could say something about the thousands and thousands of little stores in the smaller cities, particularly those stores that specialize in, say, refrigerators, vacuum cleaners, electrical appliances, automobile dealers; that group of merchants. Do you feel the same way?

Mr. NEY. I do, Senator, for this reason: First of all, I must say that our standards regarding items which went out of production during the war are different than the standards of expense rate which I mentioned regarding a minor item. The standard on page 10 of Mr. Bowles' statement is that the retail price we propose to set on each of those commodities which have been out of production during the war period, which we can call reconversion commodities, will be set at the lowest—at a figure which is no less than the realized margin of the specialty store sales in 1941.

Now, the questions of realized margins versus original margins, as you well know, are two different things. As I remember my figures, in the radio business in 1941 the average original margin of radio dealers was something like 39 percent on retail selling price as compared with average realized margin of something like 30½ percent, which means there was a spread of almost 10 points between what the first marking was and what they got. The reasons were trade-ins, competition, special sales, and so on. We cannot predict how long radios will sell without throwing in a set of dishes or other things that result in a loss to the dealer. We cannot tell how long they will sell without special inducements given the customer, but I think for the next few months that won't happen.

Senator TAFT. Unfortunately, during the next few months his overhead is going to be terrific because he cannot get the product to sell.

Mr. NEY. Hasn't he stayed in business and made a pretty good profit during the war on items which he never really handled before?

Senator MILLIKIN. I had a complaint from a merchant in Colorado Springs who says he will not be able to continue in business under the mark-up on clothing. He gave me the historical mark-up, which I don't recall, but it indicated that the result of the order would be to put him out of business. What would you say about that?

Mr. NEY. Did he specify the type of clothing?

Senator MILLIKIN. Rather cheap clothing. He was talking about suits. And I think he mentioned one or two other items, but let us assume that his story is correct; he cannot stay in business with the mark-up under the preticketing scheme. What would you say about that?

Mr. NEY. Senator, that is a difficult question. The preticketing program is one that will go into effect on November 1. It is true

that we have announced mark-ups that will be given to the retailers on that portion of the merchandise which will be preticketed.

Now, I cannot make the statement that there won't be one retailer in the country or several in the country who actually on that portion of the goods which is preticketed might have to sell below their cost of doing business. I don't know of any, and I know hundreds of retailers. I cannot say to you that it is contemplated at this time that specific relief or adjustment provisions will be included, because as a practical matter preticketed merchandise represent a small portion of his total business and the rest he sells on his own historical mark-up.

Senator MILLIKIN. It could be a very vital part of his business.

Mr. NEY. That is right.

Senator MILLIKIN. What relief is there for him if that is so? Surely you should not put him out of business if he can stay in his business under his historical mark-ups.

Mr. NEY. I doubt that there are many merchants where practically all their business would be done on preticketed merchandise and where their cost of doing business is high for some reason or other, and where as a result they would be thrown into a loss position. It might be possible to consider a floor margin with preticketed merchandise. It could be done, a floor margin which says that in no case will he be required to sell under his cost of doing business.

It is difficult, you understand, Senator. He has to take off a ticket and put on his own price and the consumer would wonder if it is the OPA price. I think administratively it might be difficult to work out.

Senator MILLIKIN. I think you recognize that many small businesses have to have very large mark-ups. They serve a special clientele. They may serve a group of miners up in the hills with heavy expenses and small turn-over. They cannot do business under the general order of this kind, if that is the way they maintain themselves in business.

I would like to suggest that you put your mind on opening up some avenue of relief for those who have justly complained of being hurt by this preticketing scheme.

Mr. NEY. You mean where they would actually operate with fair opportunity for a profit due to the preticketing program?

Senator MILLIKIN. Well, I think they are entitled to operate at a profit. Did I understand you to say we did twice the volume during the war years we did during the prewar period?

Mr. NEY. I said 1945 volume will be a minimum of double of what we did before the war.

Senator TAPP. You don't include automobiles? You are talking only of things that were in production?

Mr. NEY. That is right.

Senator MURDOCK. How does the reduction of inventory which you have described affect the amount of money invested? You say double the volume. What effect has that on your investment?

Mr. NEY. The balance sheet of the typical store would not reveal all the conditions I described, but by and large merchandise inventories in dollars invested are about the same as they were when we were doing half the business. Accounts receivable, if one did a credit business, because of Federal Reserve regulation which has had a very salutary effect, gone down over what it was prewar, on greatly



increased sales. As a result cash on hand has gone up materially. Retail stores historically did not have too much of their assets invested in cash. It seemed to be good business to invest it in accounts receivable, merchandise, store improvements, et cetera. The chance to put in store improvements has been greatly curtailed.

The typical balance sheet of a typical department store today reflects at least two or three times the amount of cash it had before the war.

Senator MURDOCK. All right. Now we will take the wage earner. We will say his hours of work are 6 hours. If because of the volume he works 10 or 12 hours and he gets paid for the extra work, sometimes double time, sometimes more, why isn't the merchant who had double his volume and all the responsibility and everything connected with it entitled to a larger profit?

Mr. NEY. Well, I don't think I have indicated he is not entitled to it.

Senator MURDOCK. Well, if you will confirm that he is, that is all I want to know.

Mr. NEY. I think there may be cases where under our standards it could be possible that so long as his profits equal his base period he would not be entitled to an increase. I think the subject is academic because I don't think there is any denial that retailers both before and after taxes are much better off than they were before.

Senator MURDOCK. I am trying to find out whether they are not warranted in making larger profits in view of the fact that they had to spend more managerial energy. I mean, you don't challenge the correctness of what I am saying, that if a merchant expends double the amount of energy in doing double the volume of business he did before he is entitled to more profit?

Mr. NEY. Certainly, in a normal economy. That is what we are trying to get back to.

Senator TOBEY. You spoke of these factors in business which were done away with due to the war and which have lowered the cost of doing business. Is it your judgment as a merchandiser that in the competitive postwar era that business will insist on putting those back again, or will they go on without those services?

Mr. NEY. No. In the present era all of us who are thinking of our business in terms of long range want to get back to the type of services we gave prewar as quickly as we can. That is what makes department stores successful, being able to offer services that other types of business either cannot or do not offer.

Senator TOBEY. Well, so far as the restriction of credit is concerned, if that were made a permanent thing, wouldn't that be a material help?

Mr. NEY. Well, it is a question of personal opinion. I happen to think so. However, I think the Credit Managers Association—I am quoting only from memory—feel that as soon as it is feasible that regulation should be removed. Their resolution to that effect is prefaced with the statement it has been successful and had a most salutary effect, but on the question of removing all Government restrictions as soon as possible they are for it.

Senator TOBEY. I think that is pretty risky.

Senator TAFT. Mr. Bowles, I would like to ask you a few questions. First, are you contemplating the removal of the ceiling on tobacco,

particularly tobacco in the Miami Valley, which I think is cigar tobacco?

Mr. BOWLES. I am not familiar with that. We will try to get that information for you.

Senator TAFT. I have protests from a good many hog people in small towns in Ohio protesting against what they say is a discrimination in hog ceilings in Springfield and Cleveland and other large cities, so that the relation is different than what it was.

Mr. BOWLES. Mr. Gismond is head of the Food Price Division. He can tell you that. We have been trying to get some inequities out of that situation.

Senator TAFT. They say that hog prices have been raised somewhat and that there is a further raise contemplated at these terminal markets which they do not enjoy and which they say will draw all the hogs out from their territories.

Mr. JOHN F. GISMOND. We have had some difficulty, Senator, under those hog ceiling prices, because of differences between the prices established at the country points and the prices in the terminal markets. Up until recently there had been a tendency for the rush to move through the country points. An increase in favor of the terminal point was made.

Senator TAFT. You have increased the price you pay at terminal points in Ohio without increasing the others, according to these letters?

Mr. GISMOND. There has been a readjustment of prices in the terminal market in an attempt to reallocate that distribution more on its historical basis. Those adjustments were made by markets. Some markets were increased and some were not. We have had some repercussions from that adjustment and our price executive in charge of the meat branch is today meeting with a representative from the industry. That is one of the reasons he is not with us.

Senator TAFT. What about the ceiling on tobacco? Are you thinking of eliminating the ceiling on tobacco?

Mr. GISMOND. We are giving very serious consideration to eliminating ceilings on the cigar type of tobacco.

Senator TAFT. That is what you told me 4 weeks ago—that you were giving serious consideration to it. Is there any possibility of an immediate decision, because the tobacco is ready to be sold.

Mr. GISMOND. We expect to make an announcement either the latter part of this week, or the early part of next week.

Senator TAFT. Mr. Bowles, there are a number of cases that I would like to draw to your attention. These may be a few days old. [Reading:]

No action has been taken on the repeated requests of the nonintegrated steel manufacturers for price adjustment, all of which requests culminated in formal protest to OPA against amendment 13 to price schedule 6 early in July. This protest has twice been extended and the second extension expires October 15. Immediate price increase must be granted if serious financial damage to this group which includes our company is to be avoided.

This is from Mr. Krantz of the Reeves Steel & Manufacturing Co., of Dover, Ohio, whom I know very well.

And the Superior Sheet Steel Co., of Canton, Ohio, says:

Steel operations certain to be seriously curtailed due to inability to continue to sell products at a loss. Our plant will be unable to continue operations unless

prompt action is taken. It appears Messrs. Bowles and Snyder fixing policies preventing prompt action. Relief now needed, no relation to present wage demands which if granted will require still further relief.

Mr. BOWLES. It is a very difficult problem. Those firms representing about 4 percent of the volume are entitled to adjustments on price.

Senator TAFT. It is one of these cases you have been considering. I had it up with you 6 months ago, and there was a small increase, which was not satisfactory, but no action has been taken.

Mr. BOWLES. We will gladly give them increases.

Senator BUCK. They are going to give them increases, but just as Senator Taft says, they have been after you people for months and months, and cannot get an increase in price, and without it, they cannot continue to make them.

Mr. BOWLES. They can get individual adjustments, but their problem is that they make about 4 percent of the volume. The large steel companies cannot get that price. We have granted a good many increases. We will give individual adjustments any time.

Senator BUCK. Can you not give these smaller fellows the proper adjustments?

Mr. BOWLES. But the large companies sell at a lower price.

Senator BUCK. That is their problem.

Senator TAFT. That illustrates the difficulty of your problem. If they were still able to stay in business before the war, it does not seem to me that you ought to fix such a low price on the Steel Corporation's products, that the smaller companies cannot stay in business after the war, and that is what you are doing.

Mr. BOWLES. They want a general increase, not only for their 4 percent, but the other 96 percent.

Senator TAFT. Why, if they were able to do that before the war, and the large steel companies made a little extra money on their product, why should you hold the steel companies down to the point where you will put these fellows out of business? That seems to me wholly unreasonable, and destructive of small business.

Mr. BOWLES. The branch is trying to find a way to minimize the effect of a general increase, which they need in order to get their price. The individual adjustments will not help them. Although we are delighted to give it to them, there are difficulties.

Senator BUCK. The small companies cannot exist if you do not give them an increase. I had the same thing in Indiana.

Mr. BOWLES. The thing to do is to give a general increase, so it will not hit too hard. It is only a small portion, but as Senator Taft says, they did get along in the past.

Senator TAFT. You are so anxious to squeeze some profit out of the large steel companies that you are going to put these fellows out of business. We will get most of the steel company's profit back in taxes.

Senator HICKENLOOPER. Here is the question that occurs to me: These individual steel companies claim they are suffering a loss, and admittedly they are. Why were they not given their increase in price back in July?

Mr. BOWLES. I think the increase is waiting for them any time they come in.

Senator HICKENLOOPER. As I understand this telegram that Senator Taft has just read, they have been after it since July.



Mr. BOWLES. They have been after a general increase in steel prices.

Senator TAFT. On these particular products.

Mr. BOWLES. They want a general increase in the whole industry.

Senator TAFT. These are the so-called nonintegrated steel companies, that only do one step in the process. The result of squeezing the steel companies down is that they fix prices on their products with which these fellows cannot compete. That is what has happened. That is what you say has happened.

Mr. BOWLES. This telegram only refers to the fact that they want an increase. We will give them an increase.

Senator TAFT. Here is another one, that goes to the other extreme:

Please try to stop proposed new OPA broom ceiling price order based on investigation large-volume producers.

Mr. BOWLES. That has been stopped, sir.

Senator TAFT. That is something.

Mr. BOWLES. That effort was successful. You rarely get such action as that.

Senator TAFT. The telegram continues:

No consideration evidently given hundreds of small shops, including many blind owned shops who cannot possibly continue operations and comply with prices proposed in this order and pay ceiling prices for broom corn as established by OPA and which will prevail through lack of supply. These small shops are our customers and we firmly believe it will put all out of business, even if large operators could continue.

Mr. NEY. The price of brooms is going to be very high.

Senator TAFT. Here is one from the Utica Knitting Co.:

Clearly I cannot continue to run and pile up losses for the stockholders. It seems equally certain that OPA has no intention of granting the required relief. I am at my wits' ends as to how next to proceed. Because I know of your interest in business hardships, I have decided to ask your advice.

Following VJ-day, the Army and Navy canceled their orders with us. These were profitable. Our civilian numbers are not. Ceilings were established in March 1942. Since that time our raw materials have increased 45 percent and wages 38 percent—mostly due to War Labor Board orders. OPA has granted permission to increase heavy-wear ceilings on men's and boys' underwear to cost (note, no profit); but has refused any relief on light men's underwear (which constitutes 70 percent of total knit units manufactured). Our losses on lightweight are substantial. . . .

Under the inspiration of the Committee for Economic Development, we had planned for postwar business expansion to provide 1,000 new jobs. However, we never dreamed that the Government would refuse a return of cost—to say nothing of a reasonable profit—so we must regretfully lay these plans aside. Indeed, 2,300 existing jobs are in jeopardy. The whole situation is so screwy as to seem impossible. M. A. P. and inadequate ceilings are throttling us. Either changes must be made, or we cannot operate.

Now that fellow may be mistaken, but that is what he thinks.

Mr. NEY. That is a very good company.

Senator TAFT. That has a very direct effect.

Mr. BOWLES. You are not familiar with that?

Mr. NEY. No.

Senator TAFT. I have that general thing from the underwear people. I do not believe cheap clothing is coming back. You cannot buy a white shirt, or at least I cannot buy a white shirt like this one I have on, in any store in Washington.

Mr. NEY. That is right.

Senator TAFT. I think the price on clothing, on cotton clothing particularly, has been held so low as to permanently decrease production. I just think you are interfering with reconversion on it. You keep on having these new plans for increased production. We have been having them for 6 months, but there is no more clothing.

Mr. BOWLES. I think it is going up.

Mr. NEY. I have spent a great deal of time on the clothing situation. I have not been as successful as I had hoped to be. I think you are right. I question whether you could find a shirt in Washington, unless you went to a lot of stores and they knew you were a Senator, then you could get it.

We are probably moving along as well or better than we have up to this time, although I do not want to be sanguine about the results. So long as there is a shortage of woven cloth, and an inflated demand, beyond all reasonable proportions, it does seem that a lot of goods will be diverted into less essential and more profitable lines. We do have today and in operation a channeling program, in cooperation with the WPB, which should get results.

Senator TAFT. You are trying to force them to do it. That is not the way to get production. You have to give them a price to induce them.

Mr. NEY. I do not want to be too sanguine about the results. I think we have passed the worst part of the low-cost clothing program, in spite of the fact that the supply situation is still very rugged. I think it will be better.

Senator TAFT. I only bring the thing up.

Senator HICKENLOOPER. Has not this happened in the low-cost field in clothing, and many other articles: Has not the formula used in pricing these commodities been such that as certain inherent costs go up, the margin of profit almost disappears in that low-cost stuff, and manufacturers have gone into higher-priced merchandise, where they can absorb that margin of profit and still make a profit? And has not that taken cheap stuff off the market?

Mr. NEY. We don't have everything under freeze regulations. Many apparel items are under marginal regulations. Unfortunately, even with marginal regulation, where there is no question about their ability to add profit above total cost, even in those fields the tendency has been for low-cost clothing to disappear. It is understandable. If a manufacturer has only a limited amount of goods, he is in business to make a profit. You cannot condemn him, in the absence of regulations to the contrary, for concentrating on the field that he can make the most money in.

Senator HICKENLOOPER. It is the profit motive that goes to make for production.

Mr. BOWLES. You might shorten the margin on high-priced stuff, and increase it on the low-priced.

Senator TAFT. I tried to persuade you 3 years ago. You said you might try it, but you never did.

Mr. BOWLES. I think you have a point. We missed it. If you had shortened the margins at the top and lengthened them at the bottom, you would have had the industry producing lower-priced goods.

Senator MILLIKIN. Would there not be a lot of people who could not stand that squeeze?

Mr. BOWLES. We would have had them on our necks but it would have corrected the problem you speak of.

Senator MILLIKIN. The textile industry does not have a difficult reconversion problem.

Mr. NEY. With some exceptions.

Senator MILLIKIN. It probably has less than any other large industry.

Mr. NEY. If you are talking about the garment manufacturers, personally I say that is correct. In the textile weaving field, particularly in the cotton field, where the various Government claimants took about 50 percent of the total production during the war, they do have some problems in reconversion, and you have to be sure those ceilings are all right.

Senator TAFT. Do those problems affect white shirts?

Mr. NEY. No, sir. That is not the problem.

Senator TAFT. I understand there will be no men's wool suits by Christmas; that the progress has been so slow in getting them started.

Mr. NEY. The woolen manufacturers in the last year were faced with the situation of having to devote more of their production to supplying military fabrics than during the war. That will be cut off as soon as they finish the goods on hand.

The woolen manufacturers assured us 2 months ago that there would be a surplus of woolen fabrics on the market by December first. We questioned it. It is a fact millions of servicemen will be discharged and the clothing stocks will be exhausted unless the situation improves. It is going to be more difficult to find clothing than it has been.

Senator HICKENLOOPER. Here is a letter written by Senator Young to Mr. Bowles on October 20. The first paragraph is devoted to the cold weather in North Dakota, and the inability to get clothing. Then it says:

While in North Dakota last week, I found the same condition everywhere. Servicemen sought in vain to purchase either work or dress clothes. Children's clothing of all kinds, heavy underwear, overalls—in fact, almost every type of clothing which people need to work in a cold climate—all were impossible to buy except on rare occasions.

Yet at the same time as this shortage of needed clothing exists, we have—according to Department of Agriculture figures—a great surplus of both wool and cotton in this country.

Figures I have obtained from the Department of Agriculture, show that as of January 1, 1945, our stockpiles of wool were 750,000,000 pounds as compared with the 1935-39 average of 254,768,000 pounds:

That is three time more in storage now than we had per year in the 1935-39 period.

An interesting and potentially disastrous situation for American wool growers is disclosed in these figures, in that foreign wool used by our mills has increased from only 78,505,000 pounds annually on the 1935-1939 average to almost 800,000,000 pounds for the current year.

Now that is foreign wool in this country.

Parallel figures on cotton disclose that the cotton carry-over on the 1934-38 average as of August 1 each year was 7,279,000 bales, as compared to the August 1, 1945, carry-over of 11,000,000 bales. This presents a most pathetic picture in that while the American farmer is suffering today from want of proper clothing, in the near future the prices he will receive for his cotton and wool may be adversely affected by burdensome surpluses now being built up.

May I pose this question: What is wrong in America when we have far above average stock piles of cotton and wool and at the very same time are suffering from want of clothing?



Senator HICKENLOOPER. I wanted to mention this a moment ago, concerning another field of foodstuffs, concerning imports: I had a coffee blender in my office from my home State the other day, and he was complaining bitterly, and if his statement was sound, justifiably. He said they are totally unable, because of the price structure, to buy the better grades of coffee from growers, and he gave me an illustration. He had an opportunity to buy a number of carloads of coffee in Brazil, store it down there, and then import it at some later date, when he could bring it in at the price he would have to pay for it there. He said meanwhile, because of the price structure, the American people are just being deprived of the better grades of coffee, and he said he is unable to get enough of the cheaper grades now to keep in business. In other words, he said he is just going downhill all the time.

Mr. BOWLES. Let me discuss the coffee question, and then Mr. Ney will talk about your woolen question. This is off the record, please.

The CHAIRMAN. All right, this will be off the record.

(Thereupon a colloquy ensued off the record.)

Senator TAFT. Mr. Bowles, I have another case, of manufacturers of electric motors.

Senator MURDOCK. Senator Hickenlooper had a question on wool.

Senator HICKENLOOPER. I referred to Senator Young's letter on the cotton situation.

Mr. NEY. Senator Young made two points, first, that there will be a shortage of wool clothing in the Northwest States. I assume that applies to the Southwest, too. There is a surplus, at least an adequate supply of raw wool—I agree with that.

The question of the adequacy of raw fiber has never entered into the picture. Throughout the war there was plenty of wool and plenty of cotton. The problem has been one of the weaving of the cloth.

Now in the wool situation, particularly, this shortage this fall is caused by two understandable factors. The mills were required to take a vast amount of armed forces business in 1945, in the early part, before the end of the war. And secondly, a great share of the clothing manufacturers were required to divert their production from civilian to wartime production of uniforms and battle jackets. Those two factors together, plus an increased demand, have depleted stocks. I cannot, however, see the relevancy of the raw fiber situation, because it has not changed throughout the war. We have had plenty of raw wool.

Senator HICKENLOOPER. I must be under a misapprehension. I understood you to say there was probably a shortage of some stuff.

Mr. NEY. On the contrary, there is not.

Senator TAFT. Mr. Bowles, here is a complaint from manufacturers of electric motors.

Mr. BOWLES. That is a new one on me. I will look into it.

The CHAIRMAN. Does that include refrigerators?

Senator TAFT. No; electric motors.

Mr. BOWLES. I will find out about it.

Senator TAFT. How about pianos? Why do you bother about controlling pianos? Why can you not take the lid off of pianos entirely? The number of people who buy pianos must be comparatively limited. Certainly every piano manufacturer would like to sell his pianos as low as possible, because they are so hard to sell, anyway. He cannot sell many of them.

Mr. BOWLES. Senator, if I might say it off the record, that has been one problem we have discussed, and I am not sure what we shall do. Pianos have been part of the whole furniture field. Possibly they should be singled out as a product to get out of. We have discussed it several times in the last 2 or 3 weeks.

Senator TAFT. Mr. Bowles, why can't you eliminate a large number of fields, and hold your controls solely to a limited number of essential foodstuffs and possibly clothing? Why can you not lift the controls on these things like electric motors, pianos, and brooms, and what not? What is the sense in keeping controls of that kind?

Mr. BOWLES. Well, we have eliminated probably a couple of thousand different items, a lot of them that are unimportant.

Senator TAFT. Those were things on which there was no question, like aluminum.

Mr. BOWLES. We have two standards. One is, does it have any effect, directly or indirectly, on the cost of living? When a product does not have an indirect or direct effect on the cost of living, we pull off the controls.

Senator TAFT. Well, everything has an indirect effect. That is just a question of degree.

Mr. BOWLES. Well, not everything, by a long shot.

Senator TAFT. What has less effect on the cost of living than pianos?

Mr. BOWLES. Well, I pointed out, I think, that is one of the unimportant ones.

Senator TAFT. It has not been taken off of pianos.

Mr. BOWLES. No; that is right. Take toys, for instance. Well, you could say, after all, how about toys? Well, toys have been very high in price. You are going to have a lot of the boys coming back this Christmas who will be greeted with a lot of high-priced toys.

Senator TAFT. I would be inclined to keep toys on until after January 1, but I think I would take them off after January 1.

(By request, Mr. Bowles' answer was off the record.)

The CHAIRMAN. Do not let us forget the consumer altogether.

Mr. BOWLES. I think that is right, Senator. The other standard is when the supply is sufficient, so that the cost or the price of the item falls below the ceiling, we suspend. We suspended on several items. Potatoes is one food item we went out of. We pull out, and watch the price to see what happens. If it continues under ceiling or around ceiling, we stay out. That will happen with an increasing number of products during the next few months, I think.

Senator TAFT. What is really scarce today? You mentioned building materials. I agree that sugar is scarce. What is there where there are outstanding shortages?

Mr. BOWLES. Well, most of your food products would go considerably higher without control.

Senator TAFT. I am talking about shortages. Is there any shortage in meat, except pork?

Mr. BOWLES. Oh, you have about 145 pounds per person. We generally estimate demand at around 165 or 175 pounds per person. There is that much of a gap.

Senator TAFT. But there seems to be a fair amount of meat today.

Mr. BOWLES. A fair amount.

Senator TAFT. There seems to be no serious shortage.

Mr. BOWLES. That demand is kept in line with supply by rationing.

Senator TAFT. I suggest that if you took off all price control on pork today, you would have a lot more pork a lot sooner.

Mr. BOWLES. Why would you have more pork?

Senator TAFT. Because everybody will become interested immediately, and you will not get the production of pork right away, but you will get it very rapidly.

Senator MURDOCK. It would take a few months to produce them. I do not know any way of speeding that up.

Senator TAFT. Why not take the controls off of meat?

Mr. BOWLES. Because prices would go up.

Senator TAFT. Do you think they would go up enough so that the increase in production would not result in rapidly bringing them back?

Mr. BOWLES. We have made the statement that you are going to be out of most food controls by the late spring of 1946. You cannot produce hogs starting before next fall, anyhow.

Senator TAFT. But they will not start if you do not take the price control off. You will be short next spring, and you will not be able to take it off. That is the difficulty with holding prices down.

Mr. BOWLES. Sows bred now will not give you hogs next spring.

Senator TAFT. But the sooner you start, the better, and the only way to induce people to increase production is to make them think they are going to make a profit. In hogs, they do not think so.

Mr. BOWLES. We have had the largest production of hogs we ever had, under price control. If I were in the hog business, I would certainly take the statement that we expect to be out of most food fields as most encouraging. The question is, will they get it by that time. Meat prices would go up substantially. I just do not believe we can allow that. We are trying to hold a stable level here. That does not mean that all prices are the same.

Senator TAFT. Again, it is a question of degree. My criticism is, you do not let it go fast enough, because you do not want to allow anything to go up 1 percent.

Mr. BOWLES. 120,000 items have gone up on individual adjustments since last spring.

Senator TAFT. On individual adjustments, but not basically, and since it is only individual, it is absorbed.

Mr. BOWLES. Senator, you have always felt that a gradually rising level of prices through the war was not only all right, but desirable.

Senator TAFT. It is something that is necessary.

Mr. BOWLES. We have gotten production. I have always felt as everybody else does who has had the practical problem of running this program, that you cannot permit inflation to creep in, because pretty soon it stops creeping and starts to run.

Senator TAFT. I do not agree.

Mr. BOWLES. We have never agreed.

Senator TAFT. What did you tell the administration would be the effect on prices of a general 15-percent increase in wages? The papers said this morning 20 percent was being considered. What did you tell the administration would be the effect of such an increase on prices? You must have been consulted, I assume, before a wage-price policy would be adopted.

Mr. BOWLES. I have been consulted, and I would like to request that I not be compelled to discuss wages and prices, because the President



is working on that, and I do not believe he wants any of his people—

Senator TAFT. I do not want that information. I am asking you how you are going to meet the problem which you may get, no matter what the President's policy is, with a general increase in wages of, say 15 percent? Will that mean an increase in prices, or will it not?

Mr. BOWLES. Senator, I do not believe I have ever ducked questions, but I would like very much to duck that one. It involves the whole policy. The policy, I assume, will be announced very soon, and then I will be delighted to answer any questions on the price question. Obviously, if wages in general go up everywhere, costs will go up. It depends on the industry, and all industries are different. The policy will be stated, and after it is stated I will be delighted to discuss any part of it, but I think you see the position I am in.

Senator TAFT. Do you think present prices are excessive compared with present costs? Do you think your present price level is as low as you can get it under the present situation?

Mr. BOWLES. We have always taken the position that our job was not to control profit. What we do is to set a minimum level of profit to be maintained. When any industry got to that due to increasing costs we increased prices.

Senator TAFT. But generally speaking, you do not believe you could lower prices on the basis of present costs?

Mr. BOWLES. I think you could lower a lot of them.

Senator TAFT. You think you could absorb quite an increase without any price increase; is that correct?

Mr. BOWLES. Depending on your industry. You are getting back to the same question.

Senator TAFT. That is what I want to do. You do approve the theory of at least partially increasing wages without increasing prices, in some industries?

Mr. BOWLES. I prefer not to discuss it. The reason, I think, is obvious.

Senator CAPEHART. Why is it not possible for you to set a price that will permit every manufacturer and processor to make a small profit?

Mr. BOWLES. That is the millennium. We have never had it. I hope we will have it.

Senator CAPEHART. I mean, make a small profit, based upon his own figures on what he maintains would give him a small profit. You could not guarantee it to him, but why could you not give him a price based on his figures and on his belief, which would show him a small profit?

Mr. BOWLES. Administratively, you cannot have a policy of setting prices that are "generally fair and equitable" as Congress ordered, and then give individual prices to every concern. If you depart from the policy of fixing prices that are "generally fair and equitable," your administrative burden will overwhelm you. As Senator Millikin stated, you would have to have four or five more of us bureaucrats.

Senator CAPEHART. It is not such a big job for every manufacturer and processor to make up a tax statement.

Mr. BOWLES. He makes it up based on what he did.

Senator CAPEHART. Why not let him make it up on what he thinks he is going to do?

Mr. BOWLES. You would have had inflation long ago if you had followed that.

Senator CAPEHART. I cannot agree, because you still set the price, and if prices were set at that level, you would not have inflation.

Mr. BOWLES. I do not know what would happen, but you would not have any stability in prices. Last Christmas, we asked the retailers in the country, a very intelligent, thoughtful, sincere group, for their best estimate of what they thought their volume would be in 1945. There were between 15 and 18 men there. It was an informal meeting. We were trying to get information on which to base a policy. The estimates ran from a 15-percent drop in volume to 25 percent. The lowest estimate was 15-percent over 1944. The highest was 25 percent. Actually, retail buying has been up substantially. The last report I had, it is running 10 to 12 percent above last year. If we had taken that kind of advice, where would we be?

Senator CAPEHART. Why is it not possible, then, to set up a department in your organization, even though we may have to appropriate additional money, where any manufacturer or processor who feels that the price you have given him does not show a profit, can come in here immediately and have that thing remedied, so that he can come in today and can be given an answer tomorrow?

Mr. BOWLES. Ninety to ninety-five percent of all the individual adjustments are made by our field offices, and they average about 20 days apiece. Some are delayed beyond that, but that is what their objective is, around 20 days.

Senator MILLIKEN. How many articles were under the control of your agency at the peak?

Mr. BOWLES. I do not know that. It is a large number.

Senator MILLIKEN. Give me a number, roughly.

Mr. BOWLES. I would not know how to answer that. Take all of your food items, all of your clothing—

Senator MILLIKEN. There must be statistics on that.

Senator HICKENLOOPER. There are about 58 classifications in poultry.

Mr. BOWLES. There are 7,000 industries in the country.

Senator BUCK. Seven hundred thousand.

Senator MILLIKEN. How many articles have been under the control of your agency at the peak?

Mr. BOWLES. Well, I would say practically all. There are 10,000 commodity classifications. It would go probably into several million.

Senator MILLIKEN. How many classifications are there now?

Mr. BOWLES. I do not know.

Senator MILLIKEN. Take your own figures.

Mr. BOWLES. Jewelry, aluminumware—

Senator MILLIKEN. It is highly important that we know how fast you are liquidating this thing.

Mr. BOWLES. Our budget shows about half as many people next June as now.

Senator MILLIKEN. Should that not show that you have reduced your classifications by half?

Mr. BOWLES. Certainly not today. We have the greatest danger of inflation right now.

Senator MILLIKEN. All I want, Mr. Bowles, is to have some sort

of figure that will give me some idea how fast you are liquidating this thing.

Mr. BOWLES. You tell me how fast the danger of inflation will subside, and I will answer your question.

Senator MILLIKEN. I asked you first how many articles were under the control of your agency at the peak, and I want to find out how many are now under control. You said, "We cannot tell you now. We had some 10,000 classifications." How many have you now?

Mr. BOWLES. We have pretty close to 10,000 today.

Senator MILLIKEN. I thought that would be the answer.

Mr. BOWLES. That is proper, if you are going to try to control prices.

Senator HICKENLOOPER. Mr. Bowles, you had some 62,000 paid employees under OPA last winter?

Mr. BOWLES. That is right.

Senator HICKENLOOPER. You have reduced that some 16,000 now?

Mr. BOWLES. That is right.

Senator HICKENLOOPER. And you are planning a further reduction. Now can you tell me this: Of those 16,000 employees that you have disassociated from OPA, have they discontinued their Government service, or have they been absorbed by other departments?

Mr. BOWLES. I think the great majority of them discontinued their Government service. I cannot give you that.

Senator HICKENLOOPER. You would not have any record on that?

Mr. BOWLES. No; but I think the great majority.

Senator TAFT. I have one more question, and then I am through. Here is a telegram from a small woodworking plant in Kentucky. I do not know why he should wire me, instead of sending it to Senator Barkley.

Mr. BOWLES. I think I would know why he would wire you.

Senator TAFT. It reads in part:

We are woodworking plant receiving inquiries for varied construction of essential industrial products. OPA insists we file separate applications for each design, even if only on single order, each requiring days of preparation, thus holding up our business and industrial user. Operation impossible under such conditions. OPA refuses to allow lumber waste on odd sizes, although recognized part woodworking. Suggest you have someone visit pricing section OPA and witness strangulation of business, depriving public of needed goods, cutting employment, smashing small business.

Mr. BOWLES. That is pretty broad. I would like to know, again, who they are.

Senator TAFT. After all, why should not the small woodworking plant, making essential industrial products on order, be exempt from price control? What is the use of controlling him any more?

Mr. BOWLES. Maybe he should be. I do not know what he makes, what it is. I would like to get that case. But I have this thought: I think you understand the way I mean this. I think you, perhaps, Senator, get more complaints about OPA than most people.

Senator TAFT. Yes; I think so. They think I might do something about it.

Mr. BOWLES. You might be a focal point. You might get a higher percentage. That might be a little misleading.



Senator TAFT. My point is in all of the cases I have brought up, the people are acting in good faith. They may be wrong, or right, but I think you have a condition today where a great part of the business in this country—I do not say all of it—is very much discouraged and not inclined to go ahead with reconversion or increase production, largely because of price control.

Mr. BOWLES. Well, I again state for the record that the evidence by outside groups working on that problem, making studies of the situation, does not agree with that statement. They say reconversion is proceeding faster than they expected.

Senator HICKENLOOPER. With reference to what prices are doing in the textile industry, here are a couple of tear sheets from the Journal of Commerce and Commercial, of New York. This one is September 21. The first one is September 20. It says, after discussing the general tone of the textile industry, that prices are not sufficient to make them operate apparently at a profit. [Reading:]

Osnaburg producers remained depressed yesterday at again having been omitted from ceiling advances granted in the sheeting yarn fabric group. While mills studied this development, they continued to hold off on forward selling.

That is the 20th. There are a number of similar quotations in this article.

Mr. NEY. What was the article?

Senator HICKENLOOPER. It says Osnaburg producers are depressed. From the same paper [reading]:

Tension grew in the carded goods section of the gray-cloth market yesterday over the imminent issuance of ceiling advances on print cloth yarn fabrics. Expectation of momentary action on this by OPA grew so strong during the day that reports were widespread at the close of business that new prices were about to become official. Late advices were that new delays had been incurred in OPA's filing of the order and that at best it would be out today, more likely on next Monday.

Another statement reads:

Outing flannels are being withheld from sale until new prices are made. Meanwhile, cutters and jobbers are not having any currently delivered, for mills are not ready to accept orders.

These are excerpts, with the statement in these stories that the price is not sufficient to show a possibility of a profit.

Mr. BOWLES. That is the thing we have to check because, if it is correct, we are wrong. But there is a difference between sufficient and satisfactory. You have an inflated market where people, but for ceiling prices, could get all the price they can charge. Obviously they are not going to be satisfied with ceilings.

Senator HICKENLOOPER. I know nothing about the textile industry.

Mr. BOWLES. They have done very well during the war.

Senator HICKENLOOPER. But I do know this: We can talk all we want to about profit and about money in the bank, but I know a substantial number of manufacturers and fabricators that are simply not operating. They either are not operating at all, or not operating to their capacity. And I know those fellows well enough to know that if they saw a profit they would not stay out of the market.

Mr. BOWLES. How many processors and manufacturers are there in Iowa; do you have any idea?

Senator HICKENLOOPER. We have a very large number.

Mr. BOWLES. Fifty thousand—ten—five?

Senator HICKENLOOPER. I would not have any idea.

Mr. BOWLES. But the point is, you had five cases out of those, in which you said there had been a hold-up. I imagine you will find all the ones that do have a hold-up will write to you.

Senator TAFT. I do not believe that is true.

Senator HICKENLOOPER. My experience is, when I talk with a lot of these people, I say, "Why don't you take it up, or do you want me to take it up with the OPA?" They throw up their hands and say, "We are sick and tired of the OPA."

Mr. BOWLES. Out of the vast, sovereign State of Iowa you have five cases out of a very large group. I do not know if they are all right, but assuming they are—

Senator HICKENLOOPER. That is not an accurate statement. I said these were substantial producers that just occurred to me now.

Mr. BOWLES. What we would like to get is a list of plants where we have held up production. That is the specific thing we want to find out. We will not allow that to happen, if we get specific cases. You have five I would like to look into.

Senator TAFT. I gave you about six.

Senator MURDOCK. As associate counsel for the consumer, I would like to know just how long we are going to continue.

The CHAIRMAN. I think we are going to stop in a moment or two.

Senator MURDOCK. The manufacturers have pretty well had their say this morning.

The CHAIRMAN. It has been a very interesting morning, and very informative. I see Gimbel's is a profitable concern; is it not?

Mr. BOWLES. I believe so.

Mr. NEY. In recent years; yes, sir.

The CHAIRMAN. Here is Gimbel's ad, and that is Frigidaire's. Then they invite them to come in and get them, and the price is \$163.25—the OPA-approved price. So, frankly, there is no complaint here.

Mr. BOWLES. There are only three industries that have not had their prices adjusted, and they are on the verge of getting them, or will by the end of the week. I do not believe we have held up any.

The CHAIRMAN. Well, gentlemen, we thank you all very much.

(Thereupon, at 1:30 p. m., the committee adjourned, subject to the call of the chairman.)

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